COVER SHEET

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S.E.C. Registration No.

XURPAS INC.

(Company's Full Name)

7F CAMBRIDGE CENTRE BLDG
108 TORDESILLAS ST. SALCEDO
VILLAGE MAKATI CITY

(Business Address : No. Street City / Town / Province)

MARK S. GORRICETA

Contact Person

(02) 8889-6467

Company Telephone Number

Month	Day
12	31

Fiscal Year

20-IS

FORM TYPE

2nd Monday of May

Month Day

Annual Meeting

N/A

Secondary License Type, If Applicable

MSRD

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic	Foreign
N/A	**N/A**

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

NOTICE OF 2020 ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of stockholders of Xurpas Inc. will be conducted virtually through the Zoom Videoconference facility on November 13, 2020 at 9:00 o'clock in the morning with the following:

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Review and Approval of Minutes of the Previous Meeting held on May 7, 2020
4. Approval of the Purchase of 100% of Wavemaker Group Inc.
5. Ratification on the Issuance of 1,707,001,019 new common shares ("**Subscription Shares**") from the unissued authorized capital stock and approval on the listing of the Subscription Shares with the Philippine Stock Exchange ("**PSE**")
6. Waiver to conduct rights or public offering
7. Election of Directors and Independent Directors
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

In light of the current conditions and in support of the efforts to contain the outbreak of the Coronavirus Disease 2019 (Covid-19), Xurpas Inc. will **not** conduct a face-to-face or in person meeting. Subject to validation procedures, stockholders may attend the meeting *remotely*.

For **Registration** to participate and/or vote in absentia, please visit: http://2020asmreg.xurpas.com. Registration starts on October 9, 2020. Stockholders who will join by proxy may also visit and register in the same link. PSE Trading Participants / Brokers may also submit the following to the Corporate Secretary (corpsec@xurpas.com): (1) the list of stockholders (together with e-mail address of the stockholders) who have indicated that they wish to attend the meeting remotely and/or vote in absentia or through remote communication; (2) a certification on the number of the shares held by the said stockholder as of record date. **The Company is not soliciting proxies.**

Only stockholders of record at the close of business day on **October 9, 2020** are entitled to notice of meeting, attendance to the live webcast of the meeting, and to vote through remote communication or *in absentia*. **Attendance and Voting shall be subject to validation procedures.**

September 25, 2020

ATTY. MARK S. GORRICETA
Corporate Secretary, Chief Legal Officer and Chief Compliance Officer

All submissions shall be subject to validation procedures of Xurpas. Deadline for Registration, Voting *in absentia* and Proxy Submission is on **November 6, 2020 5:00 PM**. Validation of all submitted ballots for the voting *in absentia* and proxies shall be done on **November 9, 2020**. The link to access the electronic stockholders' meeting for each registered stockholder shall be sent via e-mail on or before **November 11, 2020.** If you need any assistance, you may contact us at corpsec@xurpas.com.

Access to Xurpas Inc.'s Notice and Agenda, Definitive Information Statement, Proxy and other documents required for the Annual Stockholders may be accessed through Xurpas' website at http://www.xurpas.com. You can also request for soft or hard copies of the meeting materials through an email request to corpsec@xurpas.com.

EXPLANATION OF AGENDA ITEMS

Call to Order
The Chairman will formally open the meeting at approximately 9:00 in the morning. Live Webcast of the Meeting will be accessible via a link to be provided by the Company on or before November 11, 2020 to stockholders' of record.

Certification on Notice and Quorum
In light of the current conditions and in support of the efforts to contain the outbreak of Covid-19, Xurpas Inc. (the "**Corporation**") shall distribute the Definitive Information Statement through (a) a disclosure with the Philippine Stock Exchange Electronic Disclosure Generation Technology ("PSE EDGE"); and (b) Xurpas' website (http://www.xurpas.com).

In accordance with Section 23 and 57 of the Revised Corporation Code, and pursuant to SEC Memorandum Circular No. 6 series of 2020[1] which allow stockholders' meetings to be conducted by way of remote communication or *in absentia* and voting exercised through remote communication or *in absentia,* the Corporation shall provide a link which will be accessed by the stockholders to participate and vote *in absentia* on the matters presented for resolution at the meeting.

Stockholders who will attend the meeting through remote communication or *in absentia* shall be deemed present for purposes of quorum. The Corporate Secretary shall also certify the existence of a quorum.

The following are the rules of conduct and procedure for the meeting:

1. Stockholders may attend the meeting remotely provided that they have submitted the registration requirements via http://2020asmreg.xurpas.com **("Registration").** The deadline for Registration is on **November 6, 2020, 5:00 P.M**.
2. The Company shall acknowledge receipt of the stockholders' submission and will inform the stockholder within seven (7) business days from submission through e-mail whether his/her registration has been *accepted or declined.*
3. Stockholders may also submit their proxies through http://2020asmreg.xurpas.com. The **deadline for submission of Proxy is on November 6, 2020, 5:00 P.M.** The validation of the proxies shall be conducted on **November 9, 2020.**
4. Questions and comments may be sent prior to or during the meeting at corpsec@xurpas.com and shall be limited to the items in the Agenda.
5. Stockholders who have registered to participate in the meeting by remote communication shall be included in determining quorum, together with the stockholders who voted *in absentia* and submitted their proxy.
6. Voting
   - 6.1. Stockholders may cast their votes by submitting their ballots via http://2020asmreg.xurpas.com.
   - 6.2. Stockholders may issue a Proxy authorizing the Chairman of the meeting to vote on their behalf.
7. The Corporate Secretary shall tabulate and validate all votes received.
8. The meeting proceedings shall be recorded in audio format and uploaded in Xurpas' website within seven (7) business days from the meeting.

[1] Re: Guidelines on the attendance and participation of directors, trustees, stockholders, members, and other persons of corporations in regular and Annual meetings through teleconferencing, video conferencing and other remote or electronic means of communication dated March 12, 2020.

Approval of the Minutes of the Previous Meeting

The minutes of the meeting held on May 7, 2020 are attached in the Information Statement and posted at the company website.

Approval of the purchase of* 100% interest in *Wavemaker US Fund Management Holdings, LLC.

On September 20, 2020, the board of directors (the "**Board**") of Xurpas approved the acquisition of 100% of Wavemaker Group Inc.

Wavemaker Group Inc. owns the following fund management entities: (1) 56.50% membership interests in Siemer Ventures LLC; (2) 63.67% membership interests in Wavemaker Partners LLC; (3) 95.00% membership interests in WMP GP V LLC; (4) 100.00% of the manager units in Wavemaker Global Select, LLC; and (5) 95.00% of the membership interests in Wavemaker Management, LLC. The details regarding the transaction is identified in detail in the Information Statement.

Ratification on the approval to issue 1,707,001,019 new common shares ("Subscription Shares") from the unissued authorized capital stock and listing of the Subscription Shares with the Philippine Stock Exchange

On September 20, 2020, the Board of Xurpas approved the issuance of 1,707,001,019 common shares ("**Subscription Shares**") in favor of Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckly Jordan, Wavemaker Partners V LP and Wavemaker US Holdings, LLC ("**Wavemaker Team**") at a subscription price of Php0.10 per share (par value). The Subscription Shares will be issued out of the unissued authorized capital stock of Xurpas.

The Subscription Shares will need to be listed with the Philippine Stock Exchange ("PSE"). The issuance and listing of the Subscription Shares issued to the subscribers will form part of the Agenda and will be subject to the approval of the stockholders.

Waiver to conduct rights or public offering

The PSE requires that minority stockholders present or represented in the meeting approve to waive the conduct of a rights or public offering of the Subscription Shares in relation to the shares issued to Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckly Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC.

Election of Directors and Independent Directors

The following have been nominated to the Board of the Company:

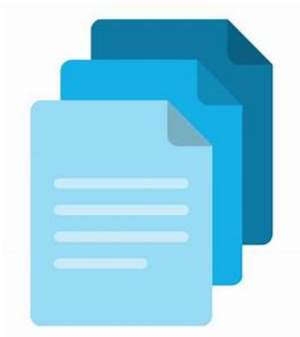
(1) Nico Jose S. Nolledo
(2) Alexander D. Corpuz
(3) Fernando Jude F. Garcia
(4) Wilfredo O. Racaza
(5) Atty. Mercedita S. Nolledo
(6) Jonathan Gerard A. Gurango, *Independent*
(7) Imelda C. Tiongson, *Independent*
(8) Bartolome S. Silayan, Jr., *Independent*

Every stockholder entitled to vote shall have the right to vote *in absentia* or by proxy the number of shares outstanding in his name at the time of the election. The stockholder may vote his shares for as many persons as there are directors to be elected.

Appointment of External Auditor

Sycip Gorres Velayo & Co. (SGV & Co.) has been nominated as the Company's external auditor for the fiscal year 2020.

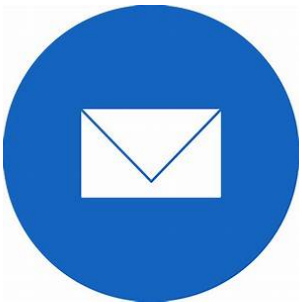
XURPAS INC.
2020 Annual Stockholders' Meeting
November 13, 2020
Instructions for Attendance to the Stockholders' Meeting in absentia, Voting in Absentia and Submission of Proxy



Please prepare the following:
1. Name, Valid E-mail Address, Contact Number
2. Valid Government-Issued Identification Card (ID)
3. Broker's Certification (if applicable)
4. Secretary's Certificate attesting to the authority of the Authorized Representative to act on behalf of the Corporation / Submit the Forms (for Corporate Shareholders)

Stockholders of Record as of October 9, 2020 are entitled to attend the virtual Stockholders' Meeting and Vote in Absentia. Register via http://2020asmreg.xurpas.com

Registration and Voting starts on October 9, 2020. Deadline for Registration, Voting and/or Submission of Proxy is on November 6, 2020 5:00 PM.



Xurpas will acknowledge receipt of your registration and submission. Within **seven business (7) days,** Xurpas will send an e-mail notification if your submission has been *Accepted* or *Denied*.

Validation of Proxies is on November 9, 2020.

Registered Stockholders of Xurpas will receive their security code for the virtual Stockholders' Meeting via e-mail on or before November 11, 2020.

The meeting will be accessible (live) on November 13, 2020 at approximately 9:00 AM via a videoconference facility.

You may contact us at corpsec@xurpas.com if you need any assistance.
In light of the current conditions and in support of the efforts to contain the outbreak of Covid-19, Xurpas Inc. will **not** conduct a face-to-face or in person meeting. The stockholders may attend the meeting *remotely* through a videoconference facility.

XURPAS INC.
REGISTRATION FORM,
VOTING IN ABSENTIA AND/OR PROXY FORM
To be accomplished via **2020asmreg.xurpas.com**
Registration Starts on October 9, 2020

I. Registration

For Individual Shareholder	*Please fill up*	**For Corporate Shareholders**	*Please fill up*
Name		Corporate Name	
Contact Number		Name of Authorized Representative	
E-mail Address		Contact Number	
		E-mail Address	

For Individual Stockholder: Valid Government-Issued Identification Card For Corporate Shareholders: Valid Government-Issued Identification Card of the Authorized Representative	*Upload*
Broker's Certification (*if applicable*)	*Upload*
Secretary's Certificate (*for Corporate Shareholders*)	*Upload*

(Yes or No)	I hereby certify that I am a stockholder of Xurpas Inc. as of Record Date (**October 9, 2020**) and I signify my intention to attend the virtual stockholders' meeting on **November 13, 2020** at 9:00 AM. The instructions to attend the stockholders' meeting and security code will be sent to you in the e-mail address you have indicated herein on or before **November 11, 2020.**

II. Voting *in Absentia* or Issuance of Proxy

Please choose one (1)			
Voting in Absentia *Please accomplish Ballot*		**Proxy** I, being a stockholder of Xurpas Inc. constitutes and appoints the Chairman of the meeting to be my proxy, to represent and vote all shares registered in my name of, and which I beneficially own, at the annual meeting of the stockholders on November 13, 2020 at 9:00 a.m. and any adjournment(s) and postponement(s) thereof, hereby ratifying and confirming any and all actions taken on matters which may properly come before such meeting or adjournment(s) thereof.	

III. **Ballot**

	Matters for Approval	For	Against	Abstain
1.	Approval of Minutes of Previous Meeting held on November 13, 2020			
2.	Approval on the Purchase of 100% of Wavemaker Group Inc.			
3.	Ratification on the Issuance of 1,707,001,019 new common shares ("**Subscription Shares**") from the unissued authorized capital stock and listing of the Subscription Shares with the Philippine Stock Exchange			
4.	Waiver to conduct rights or public offering			
5.	Election of Directors and Independent Directors			
	• Nico Jose S. Nolledo			
	• Alexander D. Corpuz.			
	• Fernando Jude F. Garcia			
	• Wilfredo O. Racaza			
	• Atty. Mercedita S. Nolledo			
	• Jonathan Gerard A. Gurango			
	• Bartolome S. Silayan, Jr.			
	• Imelda C. Tiongson			
6.	Appointment of External Auditor			

	Other Terms and Conditions (You will not be able to proceed with the submission if any item is left blank)
	I hereby certify that the number of votes covered by this Ballot shall be in accordance with the total number of Xurpas registered in my name as of record date.
	In case of an account with *joint owners*, or an account in an *and/or capacity*, I hereby certify that I have secured the consent of all other owners in the submission of this Ballot.
	In case of a corporate shareholder, I hereby certify that I am an authorized representative of the corporation and I am duly authorized to submit this Proxy.
	If my shares are lodged with PDTC or registered under the name of a broker, bank or other fiduciary, I hereby authorize Xurpas Inc. or any of its duly authorized representative to request and secure the necessary certification from *PDTC or my broker* on the number of shares which are registered in my name as of record date and issue the said Proxy in accordance with this Form.
	I further hereby certify that my Xurpas shares are lodged with the following brokers:
	Stockholder's data will be collected, stored, processed and used exclusively for the purposes of electronic registration, voting in absentia and/or submission of Proxy for the Electronic Stockholders' Meeting of Xurpas. In order to meet privacy obligations under the Data Privacy Act of 2012, Stockholder's registrations will be stored in accordance with the statutory retention periods. Detailed information of Xurpas' Data Privacy Policy is provided in http://www.xurpas.com.

Name of Broker	Contact Person	Contact Details

Xurpas reserves the right to request a hard copy of the Registration Form with physical signatures from the stockholder, if necessary.

By signing below, I hereby certify that any and all information contained in this Registration Form, or provided in connection herewith, is true and complete and that Xurpas may rely on the accuracy of any such information.

Name and Signature of Stockholder

REMINDER:

This Registration Form shall be accomplished and submitted **on or before November 6, 2020 5:00 p.m**. Stockholders may also accomplish this Registration Form and submit directly to corpsec@xurpas.com together with a valid government-issued identification card and Secretary's Certificate (for corporate shareholders).

Xurpas will send an e-mail to acknowledge receipt of your registration and submission. Xurpas will verify your registration and e-mail you if your registration has been accepted or denied within seven business (7) days from the email acknowledgment. **Validation of proxies be held on November 9, 2020. Notarization of this Registration Form is not required.**

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:

   [✓] Preliminary Information Statement

   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter **XURPAS INC.**

3. **PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **A200117708**

5. BIR Tax Identification Code **219-934-330**

6. **7th Floor Cambridge Centre Building 108 Tordesillas St., Salcedo Village Makati City, 1227**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(02) 8889-6467**

8. Date, time and place of the meeting of security holders:

   Date: November 13, 2020
   Time: 9:00 a.m.
   Place: In light of the current conditions and in support of the efforts to contain the outbreak of Covid-19, the meeting will be conducted virtually via remote communication (through Zoom Videoconference Facility).

   Link to the meeting will be provided on or before November 11, 2020.

Registration and Voting in Absentia and/or Proxy Submission	Registration starts on October 9, 2020	http://2020asmreg.xurpas.com
Annual Stockholders' Meeting	Live on November 13, 2020, 9:00 A.M.	Zoom Videoconference Facility The link will be provided on or before November 11, 2020.

9. Approximate date on which the Information Statement is first to be sent or given to security holders **October 19, 2020**

10. In case of Proxy Solicitations:

Name of Person Filing the Statement/Solicitor: **Not Applicable**
Address and Telephone No. **Not Applicable**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares	**3,579,797,896**[2]

12. Are any or all of registrant's securities listed in a Stock Exchange?

Yes [✓] No [ ]

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

1,797,700,660 common shares of the Corporation are listed with the Philippine Stock Exchange.

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

The Annual Stockholders' Meeting of Xurpas Inc. ("**Xurpas**" or the "**Corporation**") will be held on the following date at the following address:

Date: **November 13, 2020**
Time: **9:00 a.m.**
Place: **Videoconference Facility**

Registration and Voting in Absentia and/or Submission of Proxy	Registration starts on October 9, 2020	http://2020asmreg.xurpas.com
Annual Stockholders' Meeting	Live on November 13, 2020, 9:00 A.M.	Videoconference Facility (via zoom)

[2] Although a Subscription Agreement has already been executed between the Company and the subscribers on September 20, 2020, the issuance of shares to Wavemaker Group is still being processed with the Company's Stock Transfer Agent.

Complete mailing address of registrant: **7F Cambridge Centre Building, 108 Tordesillas St. Salcedo Village, Makati City**

Approximate mailing date Of this information statement And Proxy Form: **October 19, 2020 to be distributed via PSE EDGE and posted at http://www.xurpas.com**

Item 2. **Dissenters' Right of Appraisal**

There are matters or proposed actions as specified in the attached Notice of Annual Meeting that may give rise to a possible exercise by stockholders of their appraisal right under Section 80 of the Revised Corporation Code of the Philippines.

Section 80, *Title X: Appraisal Right of the Revised Corporation Code of the Philippines*, provides that any stockholder of a corporation shall have the right to dissent and demand payment of the fair value of his shares in the following instances:

(a) in case of any amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or authorizing preferences in any respect superior to those of outstanding shares of any class, or extending or shortening the term of corporate existence;

(b) in case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;

(c)in case of merger or consolidation; and

(d) in case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

This appraisal right may be exercised by any stockholder who has voted against the proposed corporate action, by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken: provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right.

The Corporation shall apply and observe the rules identified in Title X of the Revised Corporation Code on exercise of Appraisal Right.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

a. The incumbent directors and executive officers, those nominated for election as independent director, and their associates, have no substantial interest in any matter to be acted upon at the meeting other than election to the office.

b. No director has informed the Corporation of his opposition to any matter to be acted upon at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

a. **Class of voting shares**

Number of outstanding shares as of September 25, 2020	:	**3,579,797,896 common shares**[3]
Number of votes per share	:	**One vote each share of stock held as of record date of October 9, 2020**

b. **Record date**

All stockholders of record as of October 9, 2020 are entitled to notice and to vote at the meeting.

c. **Election of directors and cumulative voting rights**

The election of directors and independent directors should be by ballot and cumulative voting is allowed.

Every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares outstanding in his name at the time of the election. The stockholder may vote his shares for as many persons as there are directors to be elected.

The stockholder may also cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates he may see fit; provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. There is no condition precedent to the exercise of the stockholders' right to cumulative voting.

D. Security ownership of certain record and beneficial owners and management

1. **Security ownership of certain record and beneficial owners**

As of September 25, 2020, the Corporation is not aware of any person who is directly or indirectly the record or beneficial owner of more than 5% of the Corporation's capital stock except as set forth below:[4]

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	**Nico Jose S. Nolledo**	Nico Jose S. Nolledo	Filipino	322,226,622[5] (Direct and Indirect)	9.00%

[3] Id.
[4] The table below includes shares issued to subscribers pursuant to a Subscription Agreement dated September 20, 2020.
[5] This includes Xurpas shares registered in the name of Eden International Holdings Pte. Ltd.

	Urdaneta Tower, Ayala Avenue, Makati City (Chairman and Chief Executive Officer)				
Common	**Fernando Jude F. Garcia** North Lane, Jem 2 Subd., Tandang Sora, Quezon City (Director, Chief Technology Officer and Treasurer)	Fernando Jude F. Garcia	Filipino	375,073,960 (Direct)	10.48%
Common	**Raymond Gerard S. Racaza** One Salcedo Place, Jaime Velasquez St., Salcedo Village, Makati City	Raymond Gerard S. Racaza	Filipino	375,765,960 (Direct)	10.50%
Common	**Frederick Manlunas** 1438 9th Street, Santa Monica, CA	Frederick Manlunas	Non-Filipino	866,540,356 (Direct)[6]	24.21%
Common	**Benjamin Paul Bustamante Santos** 1 Nanson Road, Singapore 238909	Benjamin Paul Bustamante Santos	Non-Filipino	240,524,858 (Direct) 49,099,950[7] (Indirect)	8.03%
Common	**James Buckly Jordan** 1438 9th Street, Santa	James Buckly Jordan	Non-Filipino	264,329,044 (Direct)	7.38%

[6] Mr. Manlunas is also a director in Wavemaker Labs Pte. Ltd.
[7] Shares of Wavemaker Labs Pte. Ltd. is included herein since Mr. Santos is an officer and owns 16.67% of the ordinary shares of the said entity.

	Monica, CA				
Common	**Wavemaker US Fund Management Holdings, LLC** 1438 9th St. Santa Monica, CA 90401	Frederick Manlunas, Benjamin Paul Bustamante Santos, and James Buckly Jordan (Members)	Non-Filipino	305,058,953 (Direct)	8.52%
Common	**Wavemaker Partners V LP** 1438 9th St. Santa Monica, CA 90401	Frederick Manlunas, Benjamin Paul Bustamante Santos, and James Buckly Jordan manages / acts on behalf their limited partners	Non-Filipino	30,547,808	0.85%

Common	**PCD Nominee Corp. (Filipino)**	PCD participants acting for themselves and for their customers[8]	Filipino	544,875,330[9] (Direct)	15.22%
Common	**PCD Nominee Corp. (Non-Filipino)**	PCD participants acting for themselves and for their customers[10]	Non-Filipino	204,531,845 (Direct)	5.71%

As of September 25, 2020, 57% of the outstanding shares of the Corporation are held by foreigners.[11]

2. **Security ownership of directors and management**

As of September 25, 2020 the Corporation's directors and executive officers own the following number of shares:[12]

Title of Class	Name of Owner and Position	Citizenship	No. of Shares and Nature of Ownership (Direct or Indirect)	Percent of Class
Common	**Nico Jose S. Nolledo** Chairman	Filipino	322,226,622[13] (Direct and Indirect)	9.00%
Common	**Alexander D. Corpuz** Director, President, Chief Finance Officer and Chief Information Officer	Filipino	1,000 (Direct)	Nil
Common	**Fernando Jude F. Garcia** Director, Chief Technology Officer and Treasurer	Filipino	375,073,960 (Direct)	10.48%
Common	**Mercedita S. Nolledo** Director	Filipino	2,378,338 (Direct)	0.07%
Common	**Wilfredo O. Racaza** Director	Filipino	1,060 (Direct)	Nil
Common	**Jonathan Gerard A. Gurango** Independent Director	Filipino	169,399 (Direct)	Nil
Common	**Imelda C. Tiongson** Independent Director	Filipino	1,000 (Direct)	Nil

[8] Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant. The Corporation has no record relating to the power to decide how the shares held by PCD are to be voted.
[9] List of Stockholders issued by the Stock Transfer Agent reflects that PCD Nominee (Filipino) holds 1,415,768,303 common shares in Xurpas Inc. We revised this to remove shares in the name of Mr. Nico Jose S. Nolledo, Mr. Fernando Jude F. Garcia, Mr. Raymond Gerard S. Racaza, and Xurpas' Treasury Shares.
[10] List of Stockholders issued by the Stock Transfer Agent reflects that PCD Nominee (Non-Filipino) holds 291,086,734 common shares in Xurpas Inc. We revised this to remove shares in the name of Eden International Holdings Pte. Ltd.
[11] The computation is based on the total outstanding shares of 3,579,797,896 pursuant to the Subscription Agreement dated September 20, 2020.
[12] Id.
[13] This includes all Xurpas Shares registered in the name of Eden International Holdings Pte. Ltd.

Common	**Bartolome S. Silayan, Jr.** Independent Director	Filipino	2,000 (Direct)	Nil
Total (Directors and Officers as a Group)			699,853,379	19.55%

3. **Voting Trust Holders of 5% or More**

The Corporation is not aware of any person holding 5% or more of the Corporation's shares under a voting trust or similar agreement.

4. **Changes in Control**

There was no change of control in the Corporation during the year. There are no existing provisions in the Corporation's Articles of Incorporation or By-Laws that will delay, defer, or in any manner prevent a change in control of the Corporation.

The Corporation has executed a Subscription Agreement on September 20, 2020 wherein Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckly Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC. (the "**Subscribers**") subscribed to new common shares in Xurpas Inc. equivalent to 47.68%.

The Subscription Agreement provides that the Subscribers will only be entitled to two (2) out of the eight (8) board seats after completion of all Post-Closing Deliverables. There will also be no change in Management of Xurpas after closing of the transaction.

Item 5. **Directors and Executive Officers**

(i) **Board of Directors, Independent Directors and Executive Officers**

On November 8, 2019, the Corporation held its 2019 Annual Stockholders' Meeting wherein the six (6) directors were elected as such for the ensuing year. Two (2) independent directors, Ms. Imelda C. Tiongson and Mr. Bartolome S. Silayan, Jr. were elected during the Special Stockholders' Meeting held on May 7, 2020.

Directors	Nationality	Position	Age	Year Position was Assumed
Nico Jose S. Nolledo	Filipino	Chairman	44	2001
Alexander D. Corpuz	Filipino	Executive Director (President, Chief Finance Officer and Chief Information Officer)	53	2019
Fernando Jude F. Garcia	Filipino	Executive Director (Treasurer and Chief Technology Officer)	47	2001
Mercedita S. Nolledo	Filipino	Non-Executive Director	79	2001
Wilfredo O. Racaza	Filipino	Non-Executive Director	72	2001
Jonathan Gerard A. Gurango	Filipino	Independent Director	62	2014
Imelda C. Tiongson	Filipino	Independent Director	52	2020
Bartolome Silayan, Jr.	Filipino	Independent Director	53	2020
Mark S. Gorriceta	Filipino	Corporate Secretary, Chief Legal Officer	42	2014

		and Chief Compliance Officer		

Background Information

Nico Jose S. Nolledo, Filipino, 44, has been the Chairman and Director of the Corporation since 2001. He is the first Filipino Entrepreneur chosen by the Endeavour network. He is also the Ernst and Young's 2015 Philippine Entrepreneur of the year and was chosen as one of The Outstanding Young Men ("TOYM") in the Philippines in 2015. Mr. Nolledo holds a Bachelor of Science degree in Management from Ateneo de Manila University.

Alexander D. Corpuz, Filipino, 53, was appointed as Director and President of the Corporation effective February 1, 2019. He has also been the Corporation's Chief Finance Officer since 2014 and Chief Information Officer since 2018. Mr. Corpuz has 30 years of experience in the field of finance, ten years of which was in investment and commercial banking. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

Fernando Jude F. Garcia, Filipino, 47, has been the Chief Technology Officer and Director of the Corporation since 2001. He was also appointed as Treasurer effective February 1, 2019. He also served as Corporate Secretary of the Corporation until December 2014. He created the Corporation's Griffin Platform, the mobile consumer content gateway and platform for all of the Corporation's mobile consumer content products and services. He also created the Corporation's modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Corporation's software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS) and blockchain technology (BTC/ETH). He is also responsible for architecting the Corporation's fully Cloud-based system infrastructure. Before founding the Corporation, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Wilfredo O. Racaza, Filipino, 72, has been a Director of the Corporation since 2001.Mr. Racaza has 49 years of marketing and finance experience under his belt. He was the head of New Business Development in Mobil Oil Philippines for 15 years. He previously worked as an insurance executive in Manulife Financial Philippines for 33 years. He is a Registered Financial Consultant (Graduated Cum Laude in May 2015). He has garnered numerous accolades and multiple awards such as Branch of the Year recognitions and consistent agency sales awards. He has been a consistent awardee in the General Agents and Managers Association (GAMA) of the Philippines from 2003 to Present. Mr. Racaza holds a Bachelor of Science in Commerce Degree Major in Accountancy from Xavier University-Ateneo de Cagayan in Cagayan de Oro City.

Mercedita S. Nolledo, 79, Filipino, has been a Director of the Corporation since 2001. Atty. Nolledo is currently a director of Bank of the Philippine Islands, BPI Family Savings Bank, Anvaya Golf and Nature Club, Inc., and Michigan Holdings, Inc. She is the Chairman of BPI Investment Management Corporation. She is currently an independent director of D&L Industries, Inc. She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. She has served as a director of Cebu Holdings, Inc. from 1993 to 2006 and of Ayala Corporation from 2004 to 2010. Atty. Nolledo was formerly Corporate Secretary and General Counsel of the Ayala Group of Companies and the Senior Managing Director of the Ayala Corporation. She served as Executive Vice President, director and Corporate Secretary of Ayala Land, Inc. and as the firm's Treasurer. Atty. Nolledo placed second in the Certified Public Accountant exams in 1960 and also placed second in the 1965 bar exams. She holds a Bachelor of Science degree in Business Administration, magna cum laude, from the University of Philippines. Atty. Nolledo holds a Bachelor of Laws degree, cum laude, from the University of the Philippines.

Jonathan Gerard A. Gurango, 62, Filipino, has been an independent director of the Corporation since 2014. Mr. Gurango has a solid track record in forming and running successful software companies. He founded Match Data Systems (MDS) in Seattle, USA in 1987, MDS Philippines in 1991, and MDS Australia in 1996. In 1999, he sold MDS to Great Plains Software, which was acquired by Microsoft in 2001. Mr. Gurango served as the Asia Pacific Regional Director for Microsoft Business Solutions, before he left in 2003 to form Gurango Software. In 2007, he was inducted into the Hall of Fame for Microsoft's Most Valuable Professionals, in recognition of his mastery of software technology and business. In 2006, the Philippine Center for Entrepreneurship acknowledged him as one of the country's Ten Most Inspiring Technopreneurs. In addition to leading Gurango Software as the most successful Microsoft Dynamics partner in the Philippines, he has co-founded several other software start-ups such as SPRING.ph, and was the President of the Philippine Software Industry Association from 2013 to 2014. He is presently a director of Gurango Software Corporation, Kation Technologies, Inc., CodersGuild.net, Inc., Servio Technologies Inc. and APPPS Partners,Inc. Mr. Gurango studied Industrial Engineering at the University of the Philippines, Diliman, Quezon City. He also studied Electrical Engineering at the University of Washington, Seattle, Washington, USA.

Imelda C. Tiongson, 52, Filipino, has been an Independent Director of the Corporation since May 7, 2020. She is currently the President of Opal Portfolio Investments (SPV-AMC) Inc. She is also a new independent director of Pru Life U.K. In addition, she is a also involved in several organizations; Trustee of the Institute of Corporate Directors (ICD) and Head of Technology Governance Committee, Vice Chairwoman of the Governance Committee of the Management Association of the Philippines, Trustee of Fintech Alliance.ph and Head of Techno Ethics and Trustee of Fintech Philippines Association. She is also a lecturer of various organizations namely; ICD, Ateneo Graduate School of Business - Center for Continuing Education and International Finance Corporation (*an entity affiliated with the World Bank Group*).

She previously worked as a Senior Lending Officer in National Australia Bank and as Senior Vice President of Philippine National Bank with an aggregate total of 22 years. She was also a Director of Vitarich Corporation and a Board Advisor of East Asia Power Corporation as Creditor-nominee.

Ms. Tiongson also participated in the Technical working groups which drafted the Revised Corporation Code which was enacted in 2019 and the Financial Rehabilitation and Insolvency Act of 2010.

Ms. Tiongson obtained her Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology. She also completed a Master Class on Remedial in Asian Institute of Management (AIM), Master Class in Blockchain/Cryptocurrency facilitated by Terrapinn and Master Class in Risk/Audit conducted by Worldbank ICD.

Bartolome Silayan Jr., 53, Filipino has been an independent director of the Corporation since May 7, 2020. He is currently the President of Phoenix One Knowledge Solutions Inc. ("Phoenix One"), a technology corporate training and solutions company which he started in 2005. He is also the President of Cafisglobal Inc, a boutique software services company serving clients in Australia. Prior to Phoenix One, he also founded Mind Stream Inc. in 2001, the franchise holder of NIIT, the largest technology education company from India. Before he became an entrepreneur, he was the Philippine Country Head of The Pillsbury company in 1997. He worked in Hongkong and China in 1994 as Marketing Manager for the Quaker Oats company handling the Gatorade brand. He finished BS Business Management from Ateneo de Manila University and obtained his MBA from Northwestern University's Kellogg school of management.

Mark S. Gorriceta, 42, Filipino, has been the Corporate Secretary and Chief Legal Officer of the Corporation since 2014. He was also appointed as Chief Compliance Officer of the Corporation in 2018. Atty. Gorriceta has been in the practice of law for sixteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading online and tech companies in the Philippines. He is the Managing Partner and head of the Corporate Group of Gorriceta Africa Cauton & Saavedra. A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is a faculty member of the Ateneo de Manila University's Center for Continuing Education. He teaches Mergers & Acquisitions for the Advanced Module Diploma Course in Corporate Finance.

Attendance in Board Meetings

The attendance of the directors in the meetings of the Board held in 2019 is as follows:

Directors	Number of Meetings Held and Attended	Percentage
Nico Jose S. Nolledo	16/16	100%
Raymond Gerard S. Racaza[14]	2/2	100%
Alexander D. Corpuz[15]	14/14	100%
Fernando Jude F. Garcia	16/16	100%
Wilfredo O. Racaza	15/16	94%
Mercedita S. Nolledo	16/16	100%
Jonathan Gerard A. Gurango	15/16	94%
Alvin D. Lao[16]	6/16	100%
Total Number of Meetings	**16**	

Ms. Imelda C. Tiongson and Mr. Bartolome S. Silayan, Jr., independent directors, were appointed on May 7, 2020.

In compliance with its Manual on Corporate Governance, the Corporation has established committees to perform certain management functions and achieve sound corporate governance. The following are the current members of the committees:

Director	Executive	Corporate Governance	Board Risk Oversight	Nomination	Audit	Related Party Transaction	Personnel and Compensation
Nico Jose S. Nolledo	C						M
Fernando Jude F. Garcia	M						C
Alexander D. Corpuz	M			M			
Mercedita S. Nolledo					M	M	
Wilfredo O. Racaza			M	M			

[14] Mr. Raymond Gerard S. Racaza resigned as director effective January 30, 2019.
[15] Mr. Alexander D. Corpuz was appointed as director effective February 1, 2019
[16] Mr. Alvin D. Lao resigned as a director on May 23, 2019.

Jonathan Gerard A. Gurango		M		C			M
Imelda C. Tiongson		C	C		M	M	
Bartolome S. Silayan, Jr.		M	M		C	C	

C- Chairman
M- Member

Nomination of Directors

The Corporation's Nomination Committee pre-screened and accepted the nominations for the following directors:

- Nico Jose S. Nolledo
- Alexander D. Corpuz
- Fernando Jude F. Garcia
- Atty. Mercedita S. Nolledo
- Wilfredo O. Racaza
- Jonathan Gerard A. Gurango, *Independent*
- Bartolome Silayan, Jr., *Independent*
- Imelda C. Tiongson, *Independent*

The Nomination Committee evaluated the qualifications of the nominees and prepared the final list of nominees in accordance with the criteria provided in the Securities Regulation Code ("SRC"), the Corporation's Manual on Corporate Governance and the Corporation's By-Laws.

The Nomination Committee is headed by Mr. Jonathan Gerard A. Gurango and its members are: Mr. Wilfredo O. Racaza and Mr. Alexander D. Corpuz.

Only nominees whose names appear on the final list of candidates are eligible for election as directors. No nominations will be entertained or allowed on the floor during the Annual Stockholders' Meeting.

The Board elects the officers of the Corporation annually during its organizational meeting.

Independent Directors

The following are the nominees to act as Independent Directors:

- Jonathan Gerard A. Gurango
- Bartolome Silayan, Jr.
- Imelda C. Tiongson

Mr. Fernando Jude F. Garcia nominated the incumbent independent directors. Mr. Garcia and each of the nominated independent director are not related by consanguinity or affinity up to the fourth civil degree.

The certifications signed by the Independent Directors are attached herein as Annex "A1-A3"

(ii) **Significant Employees**

The Corporation values the contribution of each employee no matter how big or small and considers all its employees significant. There is no "significant employee" as defined in the SRC.

(iii) **Family Relationships**

Mr. Nico Jose S. Nolledo, Chairman, is the son of Atty. Mercedita S. Nolledo, a director.

There are no family relationships between the current members of the Board and the key officers other than the above.

(iv) **Involvement in Certain Legal Proceedings**

There are no material legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which the Corporation or any of its subsidiaries or affiliates or its directors or executive officers is a party or of which any of its material properties is subject in any court or administrative government agency.

As of this report, the Corporation is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Corporation or on the results of its operations. No litigation or claim of material importance is known to be pending or threated against the Corporation or any of its properties.

(v) **Certain Relationships and Related Transactions**

In the conduct of its day-to-day business, the Corporation engages in related party transactions such as service and licensing agreements, always at arms-length and taking into consideration the best interest of the Corporation.

The Corporation has secured loans from its key shareholders. On February 20, 2019, the board of directors approved the execution of a loan agreement wherein the key shareholders of the Corporation agreed to extend an aggregate of Php150 million loan to be used to fund enterprise projects and for general corporate purposes.

Please see Note 20 of the Corporation's 2019 Consolidated Audited Financial Statements for a detailed discussion of the related party transactions entered into by the Corporation.

(vi) **Ownership Structure and Parent Corporation**

As of 2019, the founders, Mr. Nico Jose S. Nolledo and Mr. Fernando Jude F. Garcia, own 36.69% of the Corporation. They actively manage the Corporation's business activities. Mr. Raymond Gerard S. Racaza, also a founder but has resigned from any management role, owns 20.07% of the Corporation.

On September 20, 2020, the Corporation has approved the issuance of the shares in favor of Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckly Jordan, Wavemaker Partners V LP and Wavemaker US Holdings, LLC., or shares equivalent to 47.68% of the Company.

Xurpas Inc. has no parent company.

(vii) **Resignation of directors**

Mr. Raymond Gerard S. Racaza has resigned as Director effective January 30, 2019. Mr. Alvin D. Lao has resigned as Independent Director effective May 22, 2019. Mr. Raymond Gerard S. Racaza and Mr. Alvin D. Lao does not have any known disagreement with the Corporation's affairs and they resigned for personal reasons.

Item 6. **Compensation of Directors and Executive Officers**

a. Executive Compensation.

Name	Position	Salary	Estimated Bonus	Other	Total
Alexander D. Corpuz	President, Chief Finance Officer & Chief Information Officer				
Fernando Jude F. Garcia	Treasurer & Chief Technology Officer				
Total	2020 (Projected)	₱8,764,000.00	N/A	N/A	₱8,764,000.00
	2019	6,163,838.25	N/A	N/A	₱6,163,838.25
	2018	12,584,516.66	N/A	N/A	12,584,516.66

The total annual compensation consists of basic pay and other taxable income.

The Corporation's executive officers have no other remuneration aside from the compensation described above.

b. Compensation of Directors

The directors receive a standard per diem of Php20,000.00 for every meeting attended, which may be adjusted, as decided by the Personnel and Compensation Committee. Non-executive directors have no compensation aside from their per diem.

c. Other Arrangements

The Corporation has no other existing arrangements such as bonus, profit sharing, stock options, warrants, rights, or other compensation plans or arrangements with its directors. The Corporation has applied for an Employee Stock Option Plan, approval of which is currently pending with the Securities and Exchange Commission and the Philippine Stock Exchange. The details are as follows:

Title and Amount of Securities	A minimum of 0.5% to a maximum of 1.5% of the outstanding capital stock of the Corporation's common share are reserved for the Plan, but in no case shall the aggregate number of shares represented by outstanding options exceed 1% of fully-diluted shares, inclusive of shares represented by such outstanding options.
Price	Not in any case be less than the Fair Market Value ("FMV") of the Corporation's shares, or such lower purchase price as may be allowed under the rules of the PSE or the SEC subject to adjustment in case of change in the FMV of the Corporation's

<table>
<tr><td></td><td>shares by virtue of stock dividends, stock splits or any of the events stated in Article 5.2 of the Plan. However, in no case shall it be less than the subscription price of ₱3.97 at which the Corporation’s shares were initially offered for sale to the public in December 2014.</td></tr>
<tr><td>Option Expiry Date</td><td>3rd Year anniversary of the option grant date.</td></tr>
<tr><td>Exercise of Privilege</td><td><table>
<tr><td>During the first year of the effectivity of the grant</td><td>1/3 of the total grant</td></tr>
<tr><td>During the second year of the effectivity of the grant</td><td>1/3 of the total grant</td></tr>
<tr><td>During the third year of the effectivity date of the grant</td><td>1/3 of the total grant</td></tr>
<tr><td colspan="2">or such shorter or longer period as the Committee may prescribe from date of effectivity thereof or the "Vesting Period".</td></tr>
</table></td></tr>
<tr><td>Participants[17]</td><td>All such full time and regular employees of the Corporation and such other qualified persons determined by the Personnel and Compensation Committee from those recommended by the Executive Committee from a list of all such full-time and regular employees of the Corporation, its subsidiaries and/or affiliates are eligible to participate in the Plan.

The Committee shall have the sole discretion to determine from the list recommended employees who will be granted options under the Plan, taking into consideration certain criteria such as, but not limited to the exceptional performance of the employee or his/her valuable contribution to the business of the Corporation, its subsidiaries and/or affiliates</td></tr>
</table>

The above application is pending approval of the Securities and Exchange Commission.

d. Employment Contracts, Termination of Employment, Change-in-Control Arrangements

The Executive Officers have entered into employment contracts with the Corporation which identifies their job functionalities. The Corporation does not have any compensatory plan or arrangements such as bonus, profit sharing, stock options, warrants, rights or other compensation plans or arrangements that results from the resignation, retirement of employment, or any other termination of an executive officer’s employment with the Corporation, or from a change in control of the Corporation.

e. Warrants and Options Outstanding

The Corporation does not have any stock options, warrants or similar plans for any of its directors or officers. The Corporation has applied with the SEC for an Employee Stock Option Plan, approval of

[17] The amount of options to be received by the Directors/Officers, or all other employees of the Xurpas’ group is not determinable as of date.

which is currently pending with the Securities and Exchange Commission and the Philippine Stock Exchange.

Item 7. **Independent Public Accountants**

SyCip, Gorres, Velayo & Company ("SGV") has been its external auditor since 2008. SGV is in compliance with the SRC requirement of rotating the handling partner every five consecutive years. A two-year *cooling off period* shall be observed in the re-engagement of the handling partner.

The handling partner who conducted the audit for the calendar year 2019 is Mr. Dolmar C. Montañez. He has been the handling partner for the audit of the Corporation' since calendar year 2017. He is also the recommended partner-in-charge for calendar year 2020.

The Board approved the re-appointment of SGV as the Corporation's external auditor for 2019. The re-appointment of SGV will be presented to the stockholders for their approval at the annual stockholders' meeting.

The Corporation has no disagreements with SGV on accounting principles and practices, financial statement disclosures, or auditing scope or procedures.

Representatives of SGV will attend the annual stockholders' meeting and will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Item 8. **Compensation Plans**

There are no matters or actions to be taken up with respect to any stock option, warrants, or rights plan.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. **Authorization or Issuance of Securities Other than for Exchange**

On May 7, 2020, the Corporation's stockholders approved the issuance and listing of up to 1,706,072,261 new common shares from its unissued authorized capital stock in favor of Frederick Manlunas, Benjamin Paul Bustamante Santos and James Buckly Jordan, with the following resolutions:

> "**RESOLVED**, that the stockholders of Xurpas Inc. approve the issuance of up to One Billion Seven Hundred Six Million Seventy Two Thousand Two Hundred Sixty One (1,706,072,261) new common shares ("**Subscription Shares**") from the unissued authorized capital stock and listing of the Subscription Shares with the Philippine Stock Exchange."

On September 20, 2020, the Board approved the issuance of 1,707,001,019 common shares ("**Subscription Shares**") at a price of Php0.10 per share ("**Subscription Price**") to the following:

Subscribers	No. of Shares	Par Value	Subscription Price (PHP)
Frederick Manlunas	866,540,356	Php 0.10	86,654,035.6
Benjamin Paul Bustamante Santos	240,524,858	Php 0.10	24,052,485.8
James Buckly Jordan	264,329,044	Php 0.10	26,432,904.4
Wavemaker Partners V LP	30,547,808	Php 0.10	3,054,780.8
Wavemaker US Fund Management Holdings, LLC	305,058,953	Php 0.10	30,505,895.3

Total	**1,707,001,019**		**170,700,101.9**

In the approval made by the Board on September 20, 2020, the distribution of the shares to be issued has been identified. Moreover, there was a minor increase in the number of shares to be issued to the Subscribers.

On September 20, 2020, the Corporation and the Subscribers executed the Subscription Agreement attached herein as Annex "E" for the issuance of the Subscription Shares.

Considering the minor changes in the number of shares to be issued and the inclusion of corporate entities as Subscribers, the Corporation will secure the ratification from the stockholders on the issuance and listing of the Subscription Shares.

The Subscription Shares will be taken from the Corporation's unissued authorized capital stock.

Description of the Subscription Shares

The Corporation will issue new common shares to the Subscribers from the unissued authorized capital stock. There are no special rights attached to the shares to be issued to the Subscribers. Similar to all other holder of common shares, each holder of common share shall be entitled to such dividends as may be declared by the Board and on the basis of the outstanding stock held by them. The Board is authorized to declare dividends that shall be declared and paid out of the Corporation's unrestricted retained earnings. A cash dividend declaration does not require any further approval from the stockholders. A stock dividend approval shall require the further approval of the stockholders representing at least 2/3 of the Corporation's outstanding capital stock.

Each common share entitles the holders to one vote. At each meeting of the stockholders, each stockholder entitled to vote on a particular question or matter involved shall be entitled to vote for each share of stock standing in his name in the books of the Corporation as of record date. Voting shall be in accordance with the voting procedure described below.

Under the Corporation's articles of incorporation, holders of common stock have waived their pre-emptive right. There is no provision in the Corporation's amended articles of incorporation or by-laws that would delay, defer or prevent a change in control of the Corporation.

Transaction

On September 20, 2020, the Board approved two (2) transactions:

(a) Purchase of 100% of Wavemaker Group Inc.; and
(b) Issuance of 47.68% common shares to the Subscribers.

The Subscription Price will be paid by the Subscribers in cash and will be due on or before December 31, 2020. The issuance of the Subscription Shares will be subject to certain conditions, one of which is securing stockholders' approval on the listing of the Subscription Shares with the Philippine Stock Exchange.

Corporate Structure

The Corporate Structure of the Corporation before and after the transaction will be as follows:

Principal Shareholders	Before		After	
	Number of Shares	%	Number of Shares	%
Nico Jose S. Nolledo	322,226,622	17.20%	322,226,622	9.00%
Fernando Jude F. Garcia	375,073,960	20.03%	375,073,960	10.48%
Raymond Gerard S. Racaza	375,765,960	20.06%	375,765,960	10.50%
Wavemaker Labs Pte. Ltd[18]	47,099,950	2.51%	47,099,950	1.32%
Frederick Manlunas			866,540,356	24.21%
Benjamin Paul Bustamante Santos			240,524,858	6.72%
James Buckly Jordan			264,329,044	7.38%
Wavemaker Partners V LP[19]			30,547,808	0.85%
Wavemaker US Fund Management Holdings, LLC[20]			305,058,953	8.52%
Others[21]	752,630,385	40.19%	752,630,385	21.02%
Total	**1,872,796,877**	**100%**	**3,579,797,896**	**100%**

Upon issuance of the Xurpas Shares in favor of the Subscribers, Xurpas Shares held by the public will be at 20.95%.

Use of Proceeds

The proceeds from the issuance of the Subscription Shares will be used by the Corporation to purchase 100% of Wavemaker Group Inc. which owns the following fund management entities:

a) 56.50% of the membership interests of Siemer Ventures, LLC;
b) 63.67% of the membership interests of Wavemaker Partners, LLC;
c) 95.00% of the membership interests of WMP GP V, LLC;
d) 100% of the Manager Units of Wavemaker Global Select, LLC;
e) 95% of the membership interests of Wavemaker Management, LLC.

The purchase price for 100% of Wavemaker Group Inc. is at Php170,700,101.90.

The listing of the Subscription Shares with the Philippine Stock Exchange will be discussed during the Corporation's Annual Stockholders' Meeting and will be subject to stockholders' approval.

[18] Frederick Manlunas and Benjamin Paul Bustamante Santos are authorized directors of Wavemaker Labs Pte. Ltd. Benjamin Paul Bustamante Santos owns 50,000 Ordinary Shares, which translates to 16.67% ownership of Wavemaker Labs Pte. Ltd.
[19] WMP GP V,LLC is the GP of Wavemaker Partners V LP. As such, Wavemaker Partners V LP is controlled by Frederick Manlunas, Benjamin Paul Bustamante Santos and James Buckly Jordan.
[20] Wavemaker US Fund Management Holdings, LLC is owned by the following: 67% by Frederick Manlunas, 23% by James Buckly Jordan, and 10% by Benjamin Paul Bustamante Santos.
[21] Includes shares of other directors.

Other terms

See below other material information provided in the agreement executed between the parties.

1. The Subscribers have waived their dividend rights in the event that there is any income or return in favor of Xurpas for a period of twelve months from completion of all post-closing deliverables, which shall be no later than December 31, 2020. This will ensure that the new Subscribers do not immediately benefit from any of the existing business of the Corporation that may cause any disadvantage to the current / public shareholders.
2. Xurpas has a commitment to the Subscribers to list the shares with the Exchange within one (1) year from completion of all post-closing deliverables, which shall be on a date no later than December 31, 2020. Nico Jose S. Nolledo and Fernando Jude F. Garcia will do a share-swap for a certain number of listed shares in their name in exchange of the unlisted Xurpas shares issued to the Subscribers in the event the new shares will not be listed with the Exchange within the 1-year period.

Item 10. **Modification or Exchange of Securities**

There are no matters or actions to be taken up for the modification of any class of the Corporation's securities or the issuance or authorization for issuance of one class of the Corporation's securities in exchange for outstanding securities of another class.

Item 11. **Financial and Other Information**

a. Management's Discussion and Analysis is attached as Annex "D";
b. 2019 Annual Report is attached as Annex "H";
c. Unaudited Consolidated Financial Statements as of March 31, 2020 is attached as Annex "I";
d. Unaudited Consolidated Financial Statements as of June 30, 2020 is attached as Annex "J"

Item 12. **Mergers, Consolidations, Acquisitions and Similar Matters**

Subscription / Purchase of 100% Shares in *Wavemaker US Fund Management Holdings, LLC*

On November 6, 2019, the board of directors of the Corporation approved the purchase of 100% equity interest in Wavemaker US Fund Management Holdings, LLC which consolidates four (4) existing fund management entities identified below:

Wavemaker US Fund Management Holdings, LLC.	**No. of Shareholdings**
Siemer Ventures LLC **(GP of Wavemaker Partners II LP)**	62.50%
Wavemaker Partners LLC **(GP of Wavemaker Partners III LP)**	66.67%
Wavemaker Management LLC **(GP of Wavemaker Partners V LP)**	90.00%
Wavemaker Global Select, LLC (Master SPV)	100.00%

Upon discussions and negotiation of the parties, there are changes from the previous approvals, to wit:

(1) Xurpas will purchase 100% of Wavemaker Group Inc., a Delaware Corporation, instead of Wavemaker US Fund Management Holdings, LLC. The following entities have been consolidated into the Wavemaker Group Inc.:

- 56.50% of the membership interests of Siemer Ventures, LLC;
- 63.67% of the membership interests of Wavemaker Partners, LLC;
- 95.00% of the membership interests of WMP GP V, LLC;
- 100% of the Manager Units of Wavemaker Global Select, LLC;
- 95% of the membership interests of Wavemaker Management, LLC.

On September 20, 2020, the Board of the Corporation approved the said purchase and authorized the execution of a Stock Purchase Agreement. The Stock Purchase Agreement provides that approval of the stockholders will be a condition prior to Closing of the transaction. Attached herein as Annex "F" is a copy of the Stock Purchase Agreement.

Wavemaker Group Inc., a Delaware corporation, has registered office address at 221 N. Broad Street, Suite 3A, Middletown, DE 19709, New Castle County with contact details as follows: +1-310-310-2410.

Background on the fund management entities

The entities identified above are engaged in the following activities:

1. act as general partner of a limited partnership, and its parallel funds, in compliance with the limited partnership agreement of each such partnership;
2. deal with any cash or securities that the company may receive from time to time from the fund; and
3. invest in securities for its own account.

The fund management companies act as a general partner of a specific limited partnership and its parallel funds. The funds being managed are focused on companies with a clear path to recurring revenues and predictable customer lifetime value in the following Technology sectors: Enterprise Software, Frontier Tech, and Consumer. Provided below is a description of each of the fund being managed by the General Partners:

Siemer Ventures, LLC ("Siemer GP")

Siemer GP was formed on July 21, 2011. It acts as the General Partner of Siemer Ventures II, LP ("**Siemer LP**") with total fund size of $20 million.

Siemer LP has invested in 90 companies across 24 technology categories as of year-end 2018. Many of the investments are in the AdTech, Digital Media, E-commerce, and SaaS/Enterprise categories.

Notable investments from Siemer LP include Phunware, an enterprise mobile software company which is now trading on the Nasdaq, and Pie, an enterprise messaging software and is the first acquisition Google has made in SEA.

The Siemer Limited Partnership Agreement ("**LPA**") specifies that in each one year calendar period, after repayment to all of the partners of their allocated losses, 20% of the remaining profits shall be paid to Siemer GP as the general partner. In the event that investment exits resulting in proceeds are not sufficient to return the entire capital contributions made by the limited partners, then the Siemer GP is required to return back any distributed proceeds necessary such that each capital contribution by the limited partners has been repaid in full. Accordingly, the Siemer GP has operated such that the Siemer GP will not receive any carried interest until all capital contributions by limited partners have been repaid in full. The Company has indicated that no carried interest has been paid by Siemer LP to Siemer GP, and that no written agreement evidences this historical arrangement.

The Siemer LPA likewise specifies the Siemer LP's purpose is to realize long-term capital appreciation for its limited partners primarily by making venture capital investments in the securities of domestic and foreign private companies primarily engaged in high technology industries.

Wavemaker Partners LLC ("Wavemaker Partners")

Wavemaker Partners was formed on May 23, 2014 and acts as the General Partner of Wavemaker Partners III LP ("**Partners III LP**") with total fund size of $40 Million.

Partners III LP has invested in 84 technology companies across 25 business segments as of year-end 2018. Many of the investments are in Digital Media, E-commerce and Marketing & Sales Software categories.

Notable investments from Partners III LP include Linqia, an influencer marketing software, and Clutter, an online self-storage company funded by Softbank.

The Partners III LPA specifies the Partners III LP's purpose is to realize long-term capital appreciation for its limited partners primarily by making venture capital investments in the securities of domestic and foreign private companies primarily engaged in high technology industries.

The Partners III LPA likewise specifies that in each one year calendar period, after repayment to all of the partners of their allocated losses, 20% of the amounts entitled to be received by each limited partner, with an exception for limited partners that have invested greater than $5,000,000, shall be allocated to Wavemaker Partners as the general partner. In the event that investment exits resulting in proceeds are not sufficient to return the entire capital contributions made by the limited partners, then Wavemaker Partners is required to return back any distributed proceeds necessary such that each capital contribution by the limited partners has been repaid in full. Accordingly, Wavemaker Partners has operated such that Wavemaker Partners will not receive any carried interest until all capital contributions by limited partners have been repaid in full.

Wavemaker Partners V GP, LLC ("Partners V GP")

Partners V GP was formed on January 19, 2018 and acts as the General Partner of Wavemaker Partners V, LP ("**Partners V LP**") with a target of $60 Million for its total fund size. As of date, it has already received LP commitments in the amount of $52,545,000.00.

Partners V LP is focused on seed and series A technology investments in underserved markets and has early-investments in 21 ventures across 12 sectors as of year- end 2018.

Notable investments from Partners V LP include Wheels, a micro mobility transportation provider and Intrinio, a financial data marketplace.

The Partners V LPA specifies the Partners V LP's purpose is to make venture capital investments, principally by investing in and holding equity and equity-oriented securities of privately held companies in technology-related fields. It may also invest in one or more of the Wavemaker funds, including the Digital Assets Fund, the Health Fund and the Midwest Fund.

The Partners V LPA likewise specifies that in each one year calendar period, after repayment to all of the partners of their allocated losses, 20% of the profits shall be allocated to the general partner as the target percentage, subject to the Partners V LPA. In the event that investment exits resulting in proceeds are not sufficient to return the entire capital contributions made by the limited partners, then Partners V GP is required to return back any distributed proceeds necessary such that each capital contribution by the limited partners has been repaid in full.

Wavemaker Global Select, LLC ("Wavemaker Select")

Wavemaker Select was formed on January 19, 2018 and acts as the General Partner of Wavemaker Global Select SPV, the entity manages various technology investments spread across different vehicles in the US and SEA. Capital commitment as of date is at $12.5 million.

Notable investments from Wavemaker Select include Relativity Space, a 3-D aerospace manufacturing company, PopID, a facial recognition software, and Marcy Venture Partners, an early-stage fund formed by Roc Nation, Jay-Z's talent management agency.

Wavemaker Select has no operating agreement, however, the sellers has committed to execute an agreement which shall reflect the 20% carried interest, similar to the other funds. This agreement shall likewise form part of the Closing Deliverables for the transaction.

Wavemaker Management, LLC ("Wavemaker Management")

Wavemaker Management was formed on January 19, 2018 by filing a Certificate of Formation with the Secretary of State of Delaware. Wavemaker Management is qualified to do business in the State of California. Wavemaker Management holds a current City of Santa Monica Business License #235072. A Form ADV-Uniform Application for Investment Adviser Registration and Report by Exempt Reporting Advisers for Wavemaker Management LLC was filed on January 23, 2020. As of date, no LLC Agreement has been signed by the members of Wavemaker Management.

The unaudited financial statements of the Management entities are attached as Annex "G". The said financial statements have not been audited by a certified public accountant.

As mentioned, Xurpas will acquire 100% of Wavemaker Group Inc. Payment shall be by way of cash, and payable on or before December 31, 2020, upon completion of all Closing Deliverables as provided in the Stock Purchase Agreement.

Trading Price

	High	Low	Open	Close
September 18, 2020	0.55	0.53	0.54	0.55
September 21 - 25, 2020	Trading Suspension			
September 28, 2020	[•]	[•]	[•]	[•]

The Exchange suspended the Company's trading of shares until additional information can be provided by the Company. The Company submitted to the Exchange its response to the request for additional information. As of September 25, 2020, the Company's shares are still suspended from trading. The Exchange was able to circulate the disclosures to the public on [September [•] 2020]. Trading of Xurpas shares resumed on [September [•] 2020].

Item 13. **Acquisition or Disposition of Property**

There are no matters or actions to be taken up in the meeting with respect to acquisition or disposition of any property requiring stockholders' approval.

Item 14. **Restatement of Accounts**

There are no matters or actions to be taken up in the meeting with respect to the restatement of any asset, capital or surplus account of the Corporation.

D. OTHER MATTERS

Item 15. **Action with Respect to Reports**

The following matters will be considered and acted upon at the meeting:

a. Approval of the Minutes of the Previous Stockholders' Meeting held on May 7, 2020.

The Minutes of the 2020 Special Stockholders Meeting held last May 7, 2020 is attached as Annex "A" herein and is available in the Corporation's website.

There are no other items to be submitted for approval or consideration.

Item 16. **Other Matters**

1. The minutes of the special stockholders' meeting held on May 7, 2020 will be presented to the stockholders for approval.

2. The Corporation will present its Audited Financial Statements for the year ending December 31, 2019 and the Interim Report as of June 30, 2019 to inform the stockholders on the current business operations of the Corporation. The following shall likewise be included in the discussion:

    a. An assessment of the corporation's performance;
    b. A discussion on the corporation's internal controls or risk management systems, and a statement of all external audit and non-audit fees;
    c. An explanation of the dividend policy and the reasons for nonpayment thereof; and
    d. Discussion on related party transactions.

3. Prior to election of directors, their profiles, which shall include, among others, their qualifications and relevant experience, length of service in the corporation, trainings and continuing education attended, and their board representations in other corporations shall be presented to the stockholders. The attendance report of the Board shall likewise be included in the discussion.

4. Ratification on the issuance of shares to Subscribers and approval of the listing with the Philippine Stock Exchange of 1,707,001,019 new common shares issued to Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckly Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC.

    The Subscription Shares were issued from the Corporation's available authorized capital stock and was approved by the Corporation's board of directors on September 20, 2020. As provided in the Subscription Agreement executed between the Corporation and the Subscribers, the execution of the Subscription Agreement for the issuance of 1,706,072,261 common shares in favor of the Subscribers will likewise require stockholders' approval for the listing of the said shares with the Philippine Stock Exchange ("**PSE**").

5. Waiver to conduct rights or public offering

   Pursuant to the PSE Additional Listing Rules, for related party transactions, the Corporation must secure a waiver to conduct a rights or public offering for the Subscription Shares by a majority vote representing the outstanding shares held by minority stockholders present or represented in the meeting.

Item 17. **Amendment of Charter, Bylaws or Other Documents**

There are no matters or actions to be taken up in the meeting with respect to any amendment of the Articles of Incorporation or By-Laws.

Item 18. **Other Proposed Action**

These are the following proposed actions to be taken during the meeting on November 13, 2020:

1. Review and Approval of Minutes of the Previous Meeting held on May 7, 2020
2. Approval on the Purchase of 100% of Wavemaker Group Inc.
3. Ratification on the Issuance of up to 1,707,001,019 new common shares ("**Subscription Shares**") from the unissued authorized capital stock and listing of the Subscription Shares with the Philippine Stock Exchange
4. Waiver to conduct rights or public offering
5. Election of Directors and Independent Directors
6. Appointment of External Auditor

There are no other matters to be taken up during the meeting.

Item 19. **Voting Procedures**

a. Vote Required

- The Ratification of the approval on the Purchase of 100% of Wavemaker Group Inc. requires a vote of stockholders representing at least 2/3 of the outstanding capital stock.
- For the waiver to conduct rights or public offering in relation to the issuance of the Subscription Shares, a majority vote representing the outstanding shares held by minority stockholders present or represented in the meeting is required.
- For all other items in the Agenda, majority vote of the outstanding capital stock present and represented at the meeting where a quorum exist shall be sufficient.

b. Method of Voting

The Board has approved that the conduct of the Annual Stockholders' Meeting on November 13, 2020 shall be through remote communication or *in absentia (Virtual Meeting)*. Consequently, the Board also approved that a stockholder shall be allowed to vote by remote communication or *in absentia*. The stockholder may also appoint the Chairman of the meeting as his proxy.

Stockholder may register, vote in absentia or submit his proxy via http://2020asmreg.xurpas.com. Deadline for registration, voting in absentia and proxy submission is on November 6, 2020, 5:00 PM. A stockholder voting electronically or in *absentia* shall be deemed present for purposes of quorum. Proxies may also be submitted via e-mail at corpsec@xurpas.com. Deadline for submission of Proxies is on November 6, 2020, 5:00 pm. Validation of proxies shall be done on November 9, 2020.

Item 20. **Participation of Shareholders by Remote Communication**

In light of the current conditions and in support of the efforts to contain the outbreak of Covid-19, the Corporation will dispense with the physical attendance of stockholders at the meeting and will only allow attendance via remote communication and voting in absentia.

- To register, vote *in absentia* and submit proxies for the stockholders' meeting, please visit http://2020asmreg.xurpas.com. Deadline for registration is on November 6, 2020 5:00 pm.

- The live webcast of the meeting shall be accessible through a link to be provided by the Company. The instructions shall be sent via e-mail on or before November 11, 2020. Only stockholders who have successfully registered on or before November 6, 2020 5:00 PM shall be allowed to attend the virtual stockholders' meeting on November 13, 2020.

Undertaking to Provide Annual Report

Upon written request of a stockholder, the Corporation undertakes to furnish said stockholder, without charge, a copy of its Annual Report or SEC Form 17-A. Such written request may be addressed to:

MR. ALEXANDER D. CORPUZ
President
Xurpas Inc.
7th Floor Cambridge Centre Building,
108 Tordesillas St., Salcedo Village,
Makati City 1227

[Signature Page Follows]

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasig City on September 25, 2020.

ATTY. MARK S. GORRICETA
Corporate Secretary, Chief Legal Officer
and Chief Compliance Officer

ANNEXES

ANNEX A	Minutes of Special Stockholders' Meeting
ANNEX B1 – B3	Certifications from Independent Directors
ANNEX C	Certification from Corporate Secretary
ANNEX D	Management Report (includes Management's Discussion and Analysis)
ANNEX E	Subscription Agreement
ANNEX F	Stock Purchase Agreement
ANNEX G	Management Entities' Financials
ANNEX H	2019 Consolidated Audited Financial Statements
ANNEX I	Unaudited Consolidated Financial Statements as of March 31, 2020
ANNEX J	Unaudited Consolidated Financial Statements as of June 30, 2020

MINUTES OF THE SPECIAL STOCKHOLDERS' MEETING OF XURPAS INC.
May 7, 2020 at 9:00 a.m.
via http://ssmlivestream.xurpas.com

The Special Stockholders' Meeting (the "**Meeting**") of Xurpas Inc. (the "**Company**") was held virtually via http://ssmlivestream.xurpas.com on May 7, 2020 at 9:00 a.m.

Stockholders Present:

Total No. of Shares Outstanding as of Record Date: 1,871,830,210
Total No. of Shares of Stockholders Present/Represented by Proxy: 1,206,050,852
Percentage of Shares Present & Represented by Proxy: 64.43%

Directors and Officers Present:

Mr. Nico Jose S. Nolledo, *Chairman*
Mr. Alexander D. Corpuz, *President, Chief Finance Officer and Chief Information Officer*
Mr. Fernando Jude F. Garcia, *Treasurer and Chief Technology Officer*
Mr. Wilfredo O. Racaza, *Director*
Atty. Mercedita S. Nolledo, *Director*
Mr. Jonathan Gerard A. Gurango, *Director*

Atty. Mark S. Gorriceta *Corporate Secretary, Chief Legal Officer and Chief Compliance Officer.*

Also Present:

Ms. Imelda C. Tiongson, *Nominee for Independent Director*
Mr. Bartolome Silayan, Jr., *Nominee for Independent Director*

1. **CALL TO ORDER**

Mr. Alexander D. Corpuz ("**Mr. Corpuz**"), the President of **Xurpas Inc.** (the "**Company**"), called the Meeting to order. He welcomed everyone to the 2020 Special Stockholders' Meeting of the Company.

He informed the stockholders that the Meeting shall be recorded.

Atty. Mark S. Gorriceta ("**Atty. Gorriceta**"), the Corporate Secretary, recorded the minutes of the Meeting.

2. NOTICE OF MEETING AND CERTIFICATION OF QUORUM

Atty. Gorriceta certified that the notice of the time, date, mode of conduct and purpose of the Meeting was sent through a disclosure via the PSE Edge Portal and was made available on the Company's website on April 3, 2020.

He likewise certified that stockholders owning One Billion Two Hundred Six Million Fifty Thousand Eight Hundred Fifty Two (1,206,050,852) or Sixty Four and 43/100 percent (64.43%) of the One Billion Eight Hundred Seventy One Million Eight Hundred Thirty Thousand Two Hundred Ten (1,871,830,210) shares as of December 13, 2019 are present via remote communication or through proxy. Therefore, there is a quorum for the Meeting.

3. PROCEDURES FOR DISCUSSION AND VOTING

Mr. Corpuz requested Atty, Gorriceta to explain the rules of conduct and voting procedures to facilitate the orderly flow of the Meeting.

Atty. Gorriceta explained that stockholders can email their questions and comments at corpsec@xurpas.com. Questions and comments will then be read aloud and addressed during the Question and Answer Period, which shall take place after all matters for approval have been discussed.

Atty. Gorriceta also mentioned that the Company will only read questions and comments that are relevant to the Agenda for the said Meeting. Management undertakes to reply by email to questions and comments not taken up during the Meeting.

Atty. Gorriceta stated that each stockholder was given an opportunity to cast their votes by submitting their ballots via the online registration link circulated by the Company, and that stockholders may likewise participate in the voting by submitting a Proxy.

He said that in accordance with the filed Definitive Information Statement of the Company, the deadline for the submission of the ballots and/or proxies was last April 27, 2020. Consequently, the Company tabulated all votes last April 30, 2020. Atty. Gorriceta also stated that it is assumed that all participants of the Meeting have already submitted their votes or proxies when they registered online.

Atty. Gorriceta went on to explain that each outstanding share of stock entitles the registered stockholder to one vote. For the election of directors, stockholders are allowed to cumulate their votes and the candidates receiving the highest votes will be declared elected.

For the matter of the approval of the Purchase of One Hundred percent (100%) interest in Wavemaker US Fund Management Holdings, LLC, Atty. Gorriceta said that the affirmative vote of at least two-thirds (2/3) or Sixty Seven percent (67%) of the issued and outstanding capital stock entitled to vote and represented during the Meeting will need to approve such resolution. Considering that the attendees of the Meeting is less than Sixty Seven percent (67%), Atty. Gorriceta announced that the voting on this item will no longer proceed. Nonetheless, Mr. Nico Jose S. Nolledo ("**Mr. Nolledo**"), Chairman of the board of directors (the "**Board**"), will discuss the proposed transaction.

For all other matters to be taken up, Atty. Gorriceta informed the stockholders that the affirmative vote of at least a majority of the issued and outstanding capital stock entitled to vote and represented during this Meeting will be needed to approve each resolution.

Atty. Gorriceta mentioned that the voting process was also explained in the Company's By-Laws and the Definitive Information Statement circulated via PSE Edge Portal and the Company's website.

4. **APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING**

Mr. Corpuz then proceeded with the first item on the agenda, which is the approval of the minutes of the Annual Stockholders' Meeting held on November 8, 2019.

Atty. Gorriceta stated that copies of the minutes of the Annual Stockholders' Meeting held last November 8, 2019 have been uploaded on the Company's website and was included in the Definitive Information Statement disclosed via the PSE Edge Portal.

Atty. Gorriceta then said that stockholders holding at least Sixty-Three percent (63%) of the outstanding shares of the Company have approved the minutes and adopted the following resolution:

> "**RESOLVED,** that the stockholders of Xurpas Inc. approve the minutes of the Annual Stockholders' Meeting held on November 8, 2019."

Voting Results

	No. of Common Shares	% of Shares of Shareholders Present
For	1,191,725,810	98.81%
Against	323,423	0.03%
Abstain	13,998,919	1.16%

5. **DISCUSSION ON THE PURCHASE OF 100% INTEREST IN WAVEMAKER US FUND MANAGEMENT HOLDINGS, LLC.**

Mr. Corpuz then informed the stockholders that the next item on the agenda is a discussion on the purchase of One Hundred Percent (100%) interest in Wavemaker US Fund Management Holdings, LLC. He then called on Mr. Nolledo to discuss this item.

Mr. Nolledo emphasized that the Company continues to implement significant reorganization over the past year, focusing on the recurrent and sustainable revenue for the company. He also mentioned that over the past several years, a lot of companies have taken a digital transformation initiative, and prior to 2020, a lot of conglomerates have announced their plans to transform digitally. Mr. Nolledo said that the Coronavirus 2019 (Covid-19) pandemic forced companies, including conglomerates, to accelerate their digital transformation.

He further discussed that the planned digital transformation of these entities is an opportunity for the Company to offer its services and assist them in their digital transformation through its technological capabilities.

Mr. Nolledo proceeded to discuss the Company's planned acquisition of a Fund Manager Firm based in the North America called Wavemaker. He said that Wavemaker is based in California and has been around since 2003. Wavemaker has made over two hundred thirty (230) investments globally, and has about $210 Million assets under management, twenty-five (25) full-time staff across three (3) funds and one (1) sidecar fund. Wavemaker has a track record, experience and success in technology investments. Mr. Nolledo also mentioned that two (2) of the three (3) general partners of Wavemaker are Filipino, and the third one is an American. Mr. Eric Manlunas and Mr. Paul Santos are both former entrepreneurs who decided to move on to the field of technology management and investment. Meanwhile, Mr. James Jordan is a seasoned technology investor.

According to Mr. Nolledo, Wavemaker has been very successful over the past years. Independent reports and reviews have shown that they are consistently in the top quarter of US Venture Capital Firms when it comes to the success and performance of their portfolio.

Mr. Nolledo added that a number of Wavemaker's startups have experienced substantial growth due to Covid-19. Wink, for instance, who offers wine subscriptions, has seen more than nine (9) times acceleration in their sales, and StackCommerce, who works with large e-commerce firms, have also seen a big jump in their sales. Kitchen United, according to Mr. Nolledo, is also one of Wavemaker's star investees, had the opportunity to grow due to the increase in take-out orders in the US.

Mr. Nolledo emphasized that the Company entered into this deal because they saw that over the last two (2) decades, a lot of technology companies take approximately three (3) to six (6) years before going public, and companies like Google and Amazon have experienced growth in that short amount of time. Consequently, people who invested early in those companies have experienced substantial returns from their investments. The challenge, however, is companies in Southeast Asia do not have access to deals that will enable them to participate in the growth of fast-growing technology businesses.

He also shared that the Company will benefit from its investment in Wavemaker through (1) management fees, regardless of the performance of the startups that Wavemaker invests in; and (2) Carry, which is akin to a profit share from the performance of the assets that the management company has invested into.

To summarize, Mr. Nolledo said that Wavemaker is a venture capital firm with over two hundred thirty (230) technology investments globally and over $210 million in assets under management. It has a proven track record that has outperformed its peer group over various economic cycles and is a prominent member of the Draper Venture Network, giving it access to global technology opportunities not readily available to Philippine investors. It also has a number of blue chip, institutional and family investors that add credibility to the reputation of the firm.

Mr. Nolledo also enumerated the benefits of the deal to investors in Southeast Asia, which are:

a. Opens up the private tech market to investors;
b. Gives investors access to global venture capital opportunities;
c. Allow retail investors to participate in the value creation brought by the global digital revolution;
d. Provides access to proprietary deal flow, top-tier investment opportunities and an expanded capital base; and
e. Gives the Corporation a steady stream of management and performance fees.

Moving forward, Mr. Nolledo states that the Company is expected to generate revenues attributed to its core business, the enterprise business, which will allow customers to proceed with its digital transformation initiatives, and at the same time generate consistent revenue from the management fees.

Atty. Gorriceta gave a summary of the transaction involving the purchase of Wavemaker US. He stated that the Board approved on November 6, 2019 the purchase of One Hundred percent (100%) interest in Wavemaker US Fund Management Holdings, LLC which consolidates at least majority interest in four (4) existing fund management entities: Siemer Ventures LLC, Wavemaker Partners LLC, Wavemaker Management LLC and Wavemaker Global Select, LLC. He added that the purchase price for the acquisition is at approximately One Hundred Seventy Million Philippine Pesos (Php170,000,000.00).

Atty. Gorriceta likewise informed the stockholders that the sellers, Eric Manlunas, Paul Santos, and James Jordan, will also be subscribing to the Company's new common shares equivalent to Forty Seven and 68/100 percent (47.68%) shareholdings. The issuance of the said shares will be discussed in the next item of the agenda.

Considering, however that the Company does not have at least Sixty Seven percent (67%) stockholders present or represented in the Meeting, Atty. Gorriceta announced that this matter will not be considered for voting. Subject to further evaluation of the Board and the Executive Committee, this may be included as an Agenda in the 2020 Annual Stockholders' Meeting.

6. **APPROVAL ON THE ISSUANCE OF UP TO 1,706,072,261 NEW COMMON SHARES ("SUBSCRIPTION SHARES") FROM THE UNISSUED AUTHORIZED CAPITAL STOCK AND LISTING OF THE SUBSCRIPTION SHARES WITH THE PHILIPPINE STOCK EXCHANGE**

Mr. Corpuz announced that the next item on the agenda is the approval on the issuance of up to One Billion Seven Hundred Six Million Seventy Two Thousand Two Hundred Sixty One (1,706,072,261) new common shares ("**Subscription Shares**") from the unissued authorized capital stock of the Company and the listing of the Subscription Shares with the Philippine Stock Exchange ("**PSE**").

Atty. Gorriceta then explained that on November 6, 2019, the Board approved the issuance of One Billion Seven Hundred Six Million Seventy Two Thousand Two Hundred Sixty One (1,706,072,261) Subscription Shares at a price of Ten Centavos (Php0.10) per share from the available authorized capital stock to Eric Manlunas, Paul Santos, and James Jordan (the "**Subscribers**"). The Subscription Shares will be issued at par value. Upon issuance, the Subscribers shall own shares equivalent to Forty-Seven and 68/100 percent (47.68%) of the total outstanding shares of the Company.

Atty. Gorriceta informed the stockholders that the Company will issue new common shares to the Subscribers, from the unissued authorized capital stock. Atty. Gorriceta confirmed that there are no special rights attached to the shares to be issued to the Subscribers. Similar to all other holders of common shares, each holder of common share shall be entitled to such dividends as may be declared by the Board and on the basis of the outstanding stock held by them. Each common share also entitles the holders to one vote.

The proceeds from the issuance of the Subscription Shares will be used by the Company to purchase One Hundred Percent (100%) interest in Wavemaker US Fund Management Holdings, LLC.

Atty. Gorriceta added that the Subscribers have agreed to waive their dividend rights in the event that there is any income or return in favor of the Company for a period of twelve (12) months from execution of the Definitive Agreements. This will ensure that the Subscribers do not immediately benefit from any of the existing business of the Company that may cause any disadvantage to the current / public shareholders. Additionally, the Company has a commitment to the Subscribers to list the Subscription Shares with the Exchange within one (1) year from execution of the Definitive Agreements. Mr. Nolledo and Mr. Fernando Jude F. Garcia have committed to transfer to the Subscribers a certain number of the listed shares registered in their name to the Subscribers in the event that the new shares will not be listed with the Exchange within the one (1) year period.

Atty. Gorriceta then said that stockholders holding at least Sixty Three percent (63%) of the total outstanding shares of the Company approved and adopted the following resolution:

> "**RESOLVED**, that the stockholders of Xurpas Inc. approve the issuance of up to One Billion Seven Hundred Six Million Seventy Two Thousand Two Hundred Sixty One (1,706,072,261) new common shares ("**Subscription Shares**") from the unissued authorized capital stock and listing of the Subscription Shares with the Philippine Stock Exchange."

Voting Results

	No. of Common Shares	% of Shares of Shareholders Present
For	1,191,758,169	98.81%
Against	4,478,781	0.37%
Abstain	9,813,902	0.81%

7. **ELECTION OF INDEPENDENT DIRECTORS**

Mr. Corpuz stated that the next item on the agenda is the election of the independent directors of the Board for the ensuing year. He then called Atty. Gorriceta to explain the nomination process.

Atty. Gorriceta informed the stockholders that the Company's Nomination Committee pre-screened and accepted the nominations for the following directors: (a) Mr. Bartolome S. Silayan Jr.; and (b) Ms. Imelda C. Tiongson. These nominees have been nominated to be independent directors of the Company.

Atty. Gorriceta also stated that all nominees possessed all the qualifications and none of the disqualifications under the Company's By-Laws and Manual on Corporate Governance and are eligible to be nominated and elected as directors of the Company. He added that the qualifications of the said independent directors are provided in the Information Statement which was disclosed through the PSE Edge portal and posted on the Company's website.

According to Atty. Gorriceta, directors receive a standard per diem of Twenty Thousand Philippines Pesos (Php20,000.00) for every Meeting attended while the Chairman is entitled to a per diem of Twenty Five Thousand Philippines Pesos (Php25,000.00) for every Meeting. Non-executive directors have no compensation aside from their per diem, while directors, who hold executive positions receive compensation in addition to their per diem.

Atty. Gorriceta then announced that based on the tabulation of votes, each of the two nominees has garnered at least sixty three percent (63%) votes from the total issued and outstanding shares of the Company. Consequently, the stockholders have approved and adopted the following resolution:

> "**RESOLVED,** that the stockholders of Xurpas Inc. elect the following as *independent directors* of the Corporation to serve as such beginning today until their successors are elected and qualified: (1) Bartolome Silayan, Jr.; and (2) Imelda C. Tiongson.

Voting Results

Mr. Bartolome S. Silayan, Jr.

	No. of Common Shares	**% of Shares of Shareholders Present**
For	1,191,725,810	98.81%
Against	323,423	0.03%
Abstain	13,998,919	1.16%

Ms. Imelda C. Tiongson

	No. of Common Shares	**% of Shares of Shareholders Present**
For	1,192,176,610	98.85%
Against	281,023	0.02%
Abstain	13,593,219	1.13%

8. **AMENDMENT OF THE BY-LAWS TO ALLOW ELECTRONIC DISTRIBUTION OF STOCKHOLDERS' MEETING MATERIALS, PARTICIPATION THROUGH REMOTE PARTICIPATION OR *IN ABSENTIA* AND VOTING *IN ABSENTIA***

Mr. Corpuz then stated that the next item on the agenda is the amendment of the By-Laws of the Company.

He said that the Covid-19 pandemic has greatly affected everyone, and that pursuant to the Revised Corporation Code of the Philippines, the Company is securing the approval of its stockholders to allow the following:

a. Notice to stockholders be sent through electronic mail and such other alternative modes as may be allowed by the SEC; and
b. Participation through remote communication or in absentia; and
c. Voting through remote communication or in absentia.

Atty. Gorriceta then announced that stockholders holding at least sixty three percent (63%) of the total outstanding shares of the Company approved the amendment of the By-Laws. Therefore, the following resolution has been agreed upon and adopted:

"**RESOLVED,** that the stockholders of Xurpas Inc. approve the amendment of its By-Laws to reflect the following matters:

- Allow electronic distribution of stockholders' Meeting materials;
- Participation through remote participation or *in absentia*; and
- Voting *in absentia.*

RESOLVED FURTHER, that the stockholders of Xurpas Inc. approve the amendment of Article II, Sections 4, 5 and 7 of the By-Laws to reflect the foregoing; and

RESOLVED FINALLY, that the stockholders of Xurpas Inc. authorize the Executive Committee to do all things necessary to effect the foregoing, including the processing of the amendment of the By-Laws with the Securities and Exchange Commission."

Voting Results

	No. of Common Shares	% of Shares of Shareholders Present
For	1,190,662,149	98.72%
Against	78,200	0.01%
Abstain	15,310,503	1.27%

9. **QUESTION AND ANSWER**

Mr. Corpuz then announced that the Board will proceed to answer the questions raised by the stockholders. Atty. Gorriceta shall read the questions sent by stockholders through electronic mail (e-mail).

1. **What are the incoming projects of the Company in the next three (3) to five (5) years? How do we see the company in the short term and long term?**

Mr. Corpuz replied that the plans for the Company have two key components, namely: (1) to focus on enterprise solutions to enable the Company to have a recurring, sustainable revenue; and (2) Wavemaker's portfolio of technology startups will likely provide significant upside returns for the Company in the years to come.

Mr. Corpuz went on to state that when it comes to enterprise solutions, the pressure is much greater for companies to fast track their digital transformation because of Covid-19. The Company is in a great position to help companies towards this initiative. He also mentioned that Wavemaker's investments are also engaged in the enterprise business which the Company may utilize.

2. **Can you provide a summary of the transactions involving Wavemaker?**

Atty Gorriceta explained that there are two (2) transactions involving Wavemaker.

First, The General Partners of Wavemaker Partners US (Eric Manlunas, Paul Santos and Buck Jordan) will be subscribing to approximately Forty Eight percent (48%) of the total outstanding shares in the Company at One Hundred Seventy Million Philippine Pesos (Php170,000,000.00) in cash. All new shares to be issued to the General Partners will be from the available authorized capital stock. ("**Subscription Tranche**").

Second, the Company shall purchase One Hundred Percent (100%) of Wavemaker Partners US at approximately One Hundred Seventy Million Philippine Pesos (Php170,000,000.00) in cash ("**Acquisition Tranche**").

Atty. Gorriceta likewise said that since the stockholders were only able to approve the issuance and listing of the Subscription Tranche, the Company cannot proceed with the Acquisition Tranche until the required number of votes from the stockholders is secured. The Board will evaluate further the transaction relating to the purchase of Wavemaker US Fund Management Holdings, LLC.

3. **What is Xurpas' and Wavemaker's rationale for the Transaction? How will the purchase of Wavemaker US Fund Management Holdings, LLC. benefit Xurpas and the minority shareholders**?

Mr. Corpuz responded that the Company considers the expertise of the general partners of Wavemaker to be beneficial to its current enterprise business. The Board also believes that the transaction will help improve the Company's financial stability and provide business opportunities in the long term. On the other hand, the transaction will give Wavemaker Partners a unique competitive advantage given the Company's status as a public technology company. Mr. Corpuz also relayed that in the next five (5) to seven (7) years, Wavemaker plans to further grow its assets, and they see that this partnership will help them leverage on the Company's access to public markets. According to Mr. Corpuz, this transaction will enable the Company to have access to Wavemaker's investments and potentially increase its own enterprise business portfolio.

Mr. Corpuz likewise mentioned that all shareholders—even the minority shareholders—will economically benefit from this transaction because when Wavemaker exits from its investments, consequently, the shareholders will benefit. Additionally, there is a recurring management fee that the management firm will get from the assets that it is managing.

4. **What are the technology trends that are relevant while we are battling Covid-19, and the technology trends after Covid-19?**

Mr. Nolledo said that by the end of the quarantine period, there will be a lot of shifts as a result of the new habits that were created during the said period. For instance, a lot of corporations will have a substantial portion of its workforce continue with the work from home operational routine. This, according to Mr. Nolledo, is a trend that we are seeing globally. Videoconferencing tools like Zoom has increased its usage by Two Thousand percent (2,000%) in the span of ninety (90) days. Slack has also seen a generous growth in its usage and subscriptions. During this pandemic, these video conferencing tools have become the new mode by which people socialize. He also added that applications like Trello could be used by companies to track the progress of their teams' projects.

Mr. Nolledo also mentioned that food retail will be substantially affected during the aftermath of Covid-19, especially when social distancing gets implemented and a limited number of customers will be allowed to dine in at a given restaurant. He expects to see a lot of shifts towards e-commerce. Further, stores will have to figure out how payments can be done electronically.

Further, Mr. Nolledo stated that companies in the entertainment and content field will have to shift from less traditional media to online media. For instance, the mobile application, TikTok, has generated Seven Million (7,000,000) new downloads in the Philippines during the quarantine period.

To summarize, Mr. Nolledo explained that there will be a shift across multiple centers, which will in turn yield to more opportunities for the Company.

5. **Are there other public companies that have invested in entities similar to the business of Wavemaker?**

Mr. Nolledo stated that there are not too many public companies that have both an operating side and a vast portfolio. He then cited SoftBank and Naspers as two public companies that are of a similar nature. He clarified, however, that he has not seen a public company similar to the business of Wavemaker in Southeast Asia.

10. **ADJOURNMENT**

Mr. Corpuz announced that the Annual Stockholders' Meeting will be held during the 3rd Quarter of 2020. He mentioned that the stockholders will be informed via the PSE Edge Portal and the Company website once a date for the said Meeting has been finalized by the Board.

There being no other business to discuss, the Meeting was adjourned.

Prepared by:

ATTY. MARK S. GORRICETA
Corporate Secretary

Attested by:

ALEXANDER D. CORPUZ
Chairman of the Meeting

CERTIFICATION

I, **IMELDA C. TIONGSON**, Filipino, of legal age and resident 53 Pres. Magsaysay Street South Admiral Paranaque after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Xurpas Inc.** (the "**Corporation**");

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE (indicate year)
OPAL PORTFOLIO INVESTMENTS (SPV-AMC) INC.	President and CEO	12 Years 2007
Institute of Corporate Directors	Trustee	4 years 2016
Management Association of the Philippines	Vice Chairman-Governance	1 year 2019
Fintech Philippines Association	Trustee	1 year 2019
Pru Life U.K.	Independent Director	(New) 1 Month

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or director of any government agencies or Government-Owned and Controlled Corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Executed on SEP 2 5 2020.

IMELDA C. TIONGSON
Affiant

SUBSCRIBED AND SWORN to before me this SEP 2 5 2020 at PASIG CITY, affiant personally appeared before me and exhibited to me her SSS ID 33-1959400-0 expiring on No expiry.

Doc. No. 400;
Page No. 81;
Book No. 3;
Series of 2020.

ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 5242389 / 01-10-2020/ Pasig City
IBP LIFETIME No. 017254 / 06-09-17
Roll No. 39030
MCLE Compliance No. VI-0022550; 03-25-19
Gorriceta Africa Cauton & Saavedra Law Office
5th Flr. Strata 2000 Building, F. Ortigas, Jr. Road
Pasig City, Tel. No. (02) 86960687/86960687

CERTIFICATION

I, **BARTOLOME SILAYAN, JR.**, Filipino, of legal age and a resident of 16 San Martin Street, Magallanes Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Xurpas Inc.** (the "**Corporation**");

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE (indicate year)
Phoenix One Knowledge Solutions Inc.	President	2005 - present
Cafisglobal Inc.	President	2013 - present
Sugarbee Inc.	Treasurer	2010 - present
Panalo Express Ventures	Director	2019 – present
Tveez Inc.	Director	2015 - present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or director of any government agencies or Government-Owned and Controlled Corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Executed on 9/24/2020.

BARTOLOME SILAYAN, JR
Affiant

SUBSCRIBED AND SWORN to before me this SEP 25 2020 at PASIG CITY, affiant personally appeared before me and exhibited to me his Driver's License No. N-06-84-031099 expiring on November 1, 2022.

Doc. No. 405;
Page No. 82;
Book No. 3;
Series of 2020.

ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 5242389 / 01-10-2020/ Pasig City
IBP LIFETIME No. 017254 / 06-09-17
Roll No. 69080
MCLE Compliance VI-0020653; 03-25-19
Gorriceta Africa Cauton & Saavedra Law Office
5th Flr. Strata 2000 Building, F. Ortigas, Jr. Road
Pasig City, Tel. No. (02)6960988/6990687
Appointment No. 147

CERTIFICATION

I, **JONATHAN GERARD A. GURANGO**, Filipino, of legal age and a resident of Orchard Road, 21 Olympic Heights T2, Eastwood, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **Xurpas Inc.** (the "**Corporation**") and have been its independent director since December 2014.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Gurango Software Corporation	Director	2003 – Present
Kation Technologies, Inc.	Director	2017 – Present
APPPS Partners, Inc.	Director	2017 – Present
CodersGuild.net, Inc.	Director	2018 – Present
Servio Technologies, Inc.	Director	2018 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Corporation, as provided for in Section 38 of the Securities and Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of the Corporation, its subsidiaries, and affiliates nor a relative in any other way than the relationship provided under Rule 38 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not an officer or director of any government agencies or Government-Owned and Controlled Corporations.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Manual on Corporate Governance for Publicly Listed Companies and other SEC issuances.

8. I shall inform the Corporate Secretary of the Corporation of any changes in the abovementioned information within five (5) days from its occurrence.

Executed on ______ day of SEP 2 5 2020, at PASIG CITY.

JONATHAN GERARD A. GURANGO
Affiant

SUBSCRIBED AND SWORN to before me this SEP 2 5 2020 at PASIG CITY, affiant personally appeared before me and exhibited to me his Passport: P5527309A expiring on 05 Jan 2028.

Doc. No. 406;
Page No. 83;
Book No. 3;
Series of 2020.

ATTY. MARIEL CLAIRE D. GONZ[illegible]
PTR No. 5242389 / 01-10-2020/ Pasig City
IBP LIFETIME No. 017254 / 06-09-17
Roll No. 69080
MCLE Compliance VI-0020653; 03-25-19
Gorriceta Africa Cauton & Saavedra Law Office
5th Flr. Strata 2000 Building, F. Ortigas, Jr. Road
Pasig City, Tel. No. (02)6960988/6990687
Appointment No. 14[illegible]

CERTIFICATION

I, **MARK S. GORRICETA**, of legal age, Filipino and with office address at 15F and 4F Strata 2000 Building, F. Ortigas Jr. Road, Ortigas Center, Pasig City, Philippines, after having been duly sworn to in accordance with law, hereby depose and say that:

1. I am the Corporate Secretary of **Xurpas Inc.** (the **"Corporation"**), a corporation duly organized and existing under the laws of the Republic of the Philippines with office address at 7F Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City 1227;

2. In connection with the Annual Stockholders' Meeting of the Corporation scheduled on November 13, 2020, 9:00 a.m. via remote communication, I hereby certify that none of the Corporation's directors or officers is connected with any government agencies or instrumentalities; and

3. I am executing this Certification in compliance with the requirements of the Securities and Exchange Commission.

Executed on SEP 25 2020 at Pasig City.

ATTY. MARK S. GORRICETA
Corporate Secretary

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

SUBSCRIBED AND SWORN to before me this ____ day of SEP 25 2020, affiant exhibiting to me his Passport No. P4531123B issued at the DFA NCR East, valid until January 23, 2030.

Doc No. 402 ;
Page No. 82 ;
Book No. 3 ;
Series of 2020.

ATTY. MARIEL CLAIRE D. GONZALES
PTR No. 5242389 / 01-10-2020/ Pasig City
IBP LIFETIME No. 017254 / 06-09-17
Roll No. 69080
MCLE Compliance VI-0020653; 03-25-19
Gorriceta Africa Cauton & Saavedra Law Office
5th Flr. Strata 2000 Building, F. Ortigas, Jr. Road
Pasig City, Tel. No. (02)6960988/6990687

XURPAS INC.
MANAGEMENT REPORT
For the 2020 Annual Stockholders' Meeting
To be held on November 13, 2020
Pursuant to SRC Rule 20 (4) (1)

1. Financial Statements

- Please refer to Annex "H" for the Annual Report of Xurpas Inc. and its subsidiaries (the "**Group**");
- Please refer to Annex "I" for the Consolidated Audited Financial Statements of the Group for the period ended March 31, 2020; and
- Please refer to Annex "J" for the Consolidated Audited Financial Statements of the Group for the period ended June 30, 2020.

2. There were no disagreements with accountants on accounting and financial disclosures.

Sycip Gorres Velayo & Co. ("SGV & Co.") has acted as the Group's independent auditors since 2008. The Corporation has not had any material disagreement on accounting and financial disclosure with SGV & Co.

Representatives of SGV & Co. will be present during the Annual Stockholders' Meeting in the event that there are questions that will be addressed to them.

3. Management's Discussion and Analysis or Plan of Operation

The Corporation's business units comprise of Mobile consumer products and services; Enterprise solutions; and Other services (HR technology services). After its initial public offering in December 2014, the Corporation made several investments in various technology companies, within and outside of the Philippines.

In 2018, the Corporation's business was severely affected when its Telco partner implemented new and stricter opt-in guidelines for customers who sign up for VAS subscription. The Corporation's revenue from its mobile consumer services significantly declined as a result of this. Moreover, the Corporation's wholly owned subsidiary, Art of Click Pte. Ltd., was severely affected by the challenges faced by the digital advertising industry.

In 2019, the Corporation evaluated its business segments to maximize its resources and opportunities. As part of its restructuring program, the Corporation initiated the following measurers:

- Sale of its 51% shareholdings in Yondu Inc. The sale will provide the Corporation additional liquidity, retire debt, and allow us to focus on high-value, emerging, innovative, and disruptive technologies and platforms impacting both enterprise and consumer commerce.

- Dissolve Xeleb Technologies Inc. and Xeleb Inc (collectively referred to as "Xeleb"). All residual businesses of Xeleb will be carried over to the parent company. This strategy will eliminate expenses incurred in maintaining a separate entity.

The Corporation has also implemented corporate restructuring programs to minimize on costs and expenses.

- On March 30, 2020, Xurpas suspended the business operations of its wholly owned subsidiary in Singapore, Art of Click Pte. Ltd ("Art of Click").

Art of Click, a start-up firm established in 2011 and purchased by Xurpas in 2016, specializes in mobile marketing solutions for advertisers, publishers, app developers and other operators. Art of Click encountered financial difficulties in 2017 because (1) it lost several key clients; and (2) there was a decline in the ad network industry due to the growing dominance of companies such as Facebook and Google. Throughout this period, Xurpas has been supporting its subsidiary and has implemented drastic cost-cutting measures.

Xurpas decided to suspend Art of Click's business operations because of the anticipated further losses to be incurred due to business challenges brought on by the Corona Virus (Covid-19) pandemic.

- On March 30, 2020, 80% of CTX Technologies Inc. ("CTX") was sold to Mr. Fernando Jude F. Garcia.

  CTX was incorporated in 2018 primarily for the proposed virtual currency exchange business of the Xurpas Group. With the decline of the virtual currency market in 2019 and the unclear regulations involving digital assets, Xurpas' Management has previously decided to place CTX's proposed business activities on hold. CTX has not provided any material business for Xurpas, and has no revenue contribution to the Group since its incorporation.

  Total Equity / Book Value of CTX is at approximately One Million Pesos as of December 31, 2019. Mr. Garcia Purchased 80% of CTX at Php4 million.

  On September 20, 2020, Xurpas sold the remaining 20% of CTX to Mr. Garcia at Php1.2 million.

In terms of growing the overall business of the Corporation, it aims to expand and sustain its overall business, as it continually implements reorganization to refocus the business on recurring and stable revenue stream. The Company is gearing to strengthen its enterprise business which provides services such as custom software development, cloud services, HR technology, solutions architecture and blockchain technology. It intends to seize the opportunity to support various companies in their digital transformation. For its residual mobile consumer business segment, the Company is also adopting the same concept of strengthening recurring and stable revenue. Another envisaged component to the recovery and growth is global tech management, wherein Xurpas gains access to high-value, emerging, innovative and disruptive technologies in the US through Wavemaker.

On November 6, 2019, the Corporation disclosed that it will purchase Wavemaker US Fund Management Holdings, LLC, which will consolidate the membership interests of Frederick Manlunas, Benjamin Paul Bustamante Santos and James Buckly Jordan in several US fund management entities. The said acquisition is conditioned on the conduct of due diligence, and execution of definitive agreements.

On September 20, 2020, the Board approved the purchase, with certain amendments, to wit:

i) Xurpas will purchase 100% of Wavemaker Group Inc., instead of Wavemaker US Fund Management Holdings, LLC.;

ii) Wavemaker Group Inc. has ownership interests in the following entities:

   - 56.50% of the membership interests of Siemer Ventures, LLC;
   - 63.67% of the membership interests of Wavemaker Partners, LLC;
   - 95.00% of the membership interests of WMP GP V, LLC;
   - 100% of the Manager Units of Wavemaker Global Select, LLC;
   - 95% of the membership interests of Wavemaker Management, LLC.

iii) The purchase price of Php170,700,101.90. shall be paid by way of cash. The deadline to complete all Closing Conditions is on or before December 31, 2020. *See Stock Purchase Agreement attached as Annex "F".* The unaudited financials of the Management Entities is also attached as *Annex "G".*

The purchase of Wavemaker Group Inc. will be subject to stockholders' approval.

On the same day, Xurpas' Board also approved the issuance of 1.7 billion new common shares equivalent to 47.68% of the outstanding shares of the Company to Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckly Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC. *See Subscription Agreement attached as Annex "E".*

First Half of 2020 compared with First Half of 2019

For the first half of 2020, the Group recorded total revenues of ₱66.67 million, a 90% decrease compared to the first half of 2019 which posted a revenue of ₱640.15 million. The decrease was brought about by the exclusion of revenues generated from Yondu, as it was sold back to Globe on September 2019.

The COVID-19 outbreak that the world is currently experiencing not only affected the health of people but also had severe effects to the economy and various businesses. The pandemic affected the Group as evidenced by the slowdown in operations of the enterprise segment and other services. For the second quarter of 2020, the aggregate revenue went down by 58% (from ₱47.0 million to ₱19.67 million) as compared to the first quarter. For the enterprise segment, the revenues of which decreased by 51%, a number of potential clients delayed or altogether cancelled their projects. Other services represented by Storm (with revenues decreasing by 74%), also reported that their major clients' operations were gravely affected, thereby reducing the use of the Storm's platform/services by their employees.

Though there are delays and cancellations in some projects under the enterprise segment, the Group remains positive and likewise sees a business opportunity amidst the pandemic. The Company intends to seize the opportunity to support various companies that want to jumpstart their digital transformation. Xurpas will continue to create and provide custom tools and solutions for these transformations using its technology capabilities and experience. The Group is also exploring potential projects both from the private and public sectors to expand clientele base. Storm continues to look for other revenue sources, in partnership with other HR technology firms, for on-selling to its client employee base.

Financial Summary

Key Financial Data In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase (Decrease)
	Amount	Percentag	Amount	Percentag		
Revenues						
Mobile consumer services	2.99	4%	19.07	3%	(16.08)	-84%
Enterprise services	37.36	56%	569.09	89%	(531.73)	-93%
Other services	26.32	40%	51.98	8%	(25.66)	-49%
Total Revenues	**66.67**	**100%**	**640.15**	**100%**	**(573.48)**	**-90%**
Cost of Services	61.08	92%	462.59	72%	(401.51)	-87%
Cost of Goods Sold	20.17	30%	40.08	6%	(19.91)	-50%
Gross Profit (Loss)	**(14.58)**	**-22%**	**137.47**	**21%**	**(152.05)**	**-111%**
General and Administrative Expenses	39.38	59%	214.47	34%	(175.09)	-82%
Equity in Net Losses (Earnings) of Associates	(4.65)	-7%	7.53	1%	(12.18)	-162%
Other Charges - net	1.11	2%	20.27	3%	(19.16)	-95%
Loss Before Income Tax	**(50.43)**	**-76%**	**(104.80)**	**-16%**	**54.38**	**-52%**
Provision for (Benefit from) Income Tax	(1.86)	-3%	10.55	2%	(12.41)	-118%
Net Loss	**(48.57)**	**-73%**	**(115.36)**	**-18%**	**66.79**	**-58%**
Other Comprehensive Income	14.98	22%	7.29	1%	7.69	106%
Total Comprehensive Loss	**(33.59)**	**-50%**	**(108.07)**	**-17%**	**74.49**	**-69%**

	30-Jun-20 Amount	31-Dec-19 Amount	Amount Change	% Increase (Decrease)
Total Assets	661.14	713.94	(52.81)	-7%
Total Liabilities	668.83	688.05	(19.22)	-3%
Total Equity	(7.69)	25.89	(33.59)	-130%

Group revenues were still mainly driven by enterprise services, comprising 56% of the total revenue, compared to 89% in the 1H2019.

The blended cost of services decreased by 87% from ₱462.59 million for the six-month period ended June 30, 2019 to ₱61.08 million for the comparable period in 2020. Cost of goods sold attributable to other services was ₱20.17 million for the six-month period ended June 30, 2020 compared to ₱40.08 million in the same period in 2018, a decrease of 50% or ₱19.19 million.

The Group incurred gross loss for the period ended June 30, 2020 amounting to ₱14.58 million which corresponds to 22% gross loss margin. In comparison, for the same period last year, the Group earned gross profit amounting to ₱137.47 million and a margin of 21%.

General and administrative expenses decreased by 82%, from ₱214.47 million for the first half of 2019 to ₱39.38 million for the same period in 2020.

Overall, the decrease in the cost of services and general and administrative expenses was mainly due to the cost reduction initiatives undertaken by the Group. The deconsolidation of Yondu's expenses also contributed to the decrease given that most of the expenses were incurred by the company.

The Group also shares in the recorded net earnings of the associate companies it has invested in, which amounted to ₱4.65 million for the six-month period ended June 30, 2020; a 162% improvement from the ₱7.53 million share in net loss of the associate companies for the first half of 2019.

Loss before income tax improved by 52% from ₱104.80 million for the first half of 2019 to ₱50.43 million for the same period in 2020.

Benefit from income taxes during the first half of 2020 amounted to ₱1.86 million, while provision for income tax of ₱10.55 million was recognized in the same period in 2019. Overall, the net loss for the Group decreased from ₱115.36 million for the first half of 2019 to ₱48.57 million over the same period in 2020; a decrease of 58%.

Consolidated total assets as of June 30, 2020 amounted to ₱661.14 million, a decrease of 7% from ₱713.94 million as of December 31, 2019. Consolidated total liabilities decreased by 3% from ₱688.05 million as of December 31, 2019 to ₱668.83million on June 30, 2020, mainly due to the decrease in accounts and other payables.

The Group recorded capital deficiency as of June 30, 2020 amounting to ₱7.69 million. Note that in 2019, the Group recognized significant impairment losses of its goodwill and investment in associates as well as loss from sale of Yondu which contributed largely to the 2019 net loss. As of December 30, 2019, the Group was left with only ₱25.89 million total equity. Incurring total comprehensive loss amounting to ₱33.59 million led the Group to a capital deficiency position as of June 30, 2020. The impending entry of Wavemaker Group Inc. into the Group, in addition to the continuous efforts to further increase its existing businesses, is expected to reverse the capital deficiency.

Segment Financial Performance

For the 6-month period ended June 30, 2020 In PhP Millions	**Mobile Consumer Services**	**Enterprise Services**	**Other Services**	**Intersegment Adjustments**	**Consolidated**
Revenue from services	15.62	37.36	4.60	(12.64)	44.95
Revenue from sale of goods	-	-	21.72	-	21.72
Total Service Revenues	**15.62**	**37.36**	**26.32**	**(12.64)**	**66.67**
Operating expenses	47.57	31.20	38.83	3.04	120.63
Equity in net earnings of associates	-	-	-	(4.65)	(4.65)
Other charges (income) - net	7.53	0.10	0.68	(7.19)	1.11
Total Expenses	**55.10**	**31.30**	**39.50**	**(8.80)**	**117.10**
Operating Income (Loss)	**(39.47)**	**6.06**	**(13.18)**	**(3.83)**	**(50.43)**
Benefit from (provision for) income tax	(0.11)	(0.00)	(0.00)	1.97	1.86
Net Income (Loss)	**(39.59)**	**6.06**	**(13.19)**	**(1.86)**	**(48.57)**

For the six-month period ended June 30, 2020, mobile consumer services' revenues, operating loss and net loss prior to eliminations were ₱15.62 million, ₱39.47 million and ₱39.59 million, respectively. (Note that after intersegment adjustments, revenue for Mobile Consumer services is ₱2.99 million and net loss is ₱45.09.) Enterprise services had a net income of ₱6.06 million from revenues of ₱37.36 million. The other services segment had revenues of ₱26.32 million, ending up with an operating loss of ₱13.18 million.

Profitability

For the six-month period ended June 30, 2020 compared with the six-month period ended June 30, 2019

Revenues

The consolidated revenues of the Group for the six-month period ended June 30, 2020 amounted to ₱66.67 million, a decrease of 90% from ₱640.15 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	• Xurpas Parent Company • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Seer • Xurpas Enterprise • Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods	• Storm Technologies

In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	37.36	56%	569.09	89%	(531.73)	-93%
Mobile consumer services	2.99	4%	19.07	3%	(16.08)	-84%
Other services	26.32	40%	51.98	8%	(25.66)	-49%
Total Revenues	**66.67**	**100%**	**640.15**	**100%**	**(573.48)**	**-90%**

Revenues from enterprise services (which accounts for 56% of total revenues) decreased by 93% as of June 30, 2020, to ₱37.36 million from ₱569.09 million on June 30, 2019. On the other hand, revenues from the mobile consumer services segment for the six-month period ended June 30, 2020 amounted to ₱2.99 million, a decrease of 84% from the previous year's same period level of ₱19.07 million. This segment accounts for 4% of the total revenues. Other services booked revenues of ₱26.32 million in the first half of 2020, lower by 49% from the previous level at ₱51.98 million over the same period last year.

Expenses

In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	61.08	51%	462.59	64%	(401.51)	-87%
Cost of Goods Sold	20.17	17%	40.08	6%	(19.91)	-50%
General and Administrative Expenses	39.38	32%	214.47	30%	(175.09)	-82%
Total Expenses	**120.63**	**100%**	**717.15**	**100%**	**(596.52)**	**-83%**

The Group's consolidated expenses during the six-month period ended June 30, 2020 amounted to ₱120.63 million, an 83% decrease from the same period of the previous year at ₱717.15 million. For the first half of 2020, cost of services accounted for the bulk of expenses, totaling ₱61.08 million or 51% of the Group's consolidated expenses. For the same period in 2019, cost of services amounted to ₱462.59 million, which comprised 64% of overall expenses.

Cost of Services

In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	39.19	64%	349.40	76%	(310.21)	-89%
Depreciation and amortization	10.82	18%	18.33	4%	(7.51)	-41%
Outsourced services	4.83	8%	15.76	3%	(10.93)	-69%
Others	6.25	10%	79.11	17%	(72.86)	-92%
Total Expenses	**61.08**	**100%**	**462.59**	**100%**	**(401.51)**	**-87%**

Cost of services totaling ₱61.08 million as of June 30, 2020, was mainly driven by expenses relating to salaries, wages, and employee benefits (64%), followed by Depreciation and Amortization (18%), Outsourced Services (8%) and Other expenses (10%).

Cost of Goods Sold

For six-month period ended June 30, 2020, cost of goods sold took up 17% of the Group's consolidated expenses, amounting to ₱20.17 million. This figure was a decrease of 50% from its level at ₱40.08 million on June 30, 2019. The decrease in cost of goods sold was directly attributable to the decrease in revenues of Storm Technologies.

General and Administrative Expenses

In PhP Millions	For the 6 months ended June 30					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	19.23	49%	111.77	52%	(92.54)	-83%
Professional fees	7.81	20%	10.17	5%	(2.36)	-23%
Depreciation and amortization	4.29	11%	27.44	13%	(23.14)	-84%
Others	8.05	20%	65.10	30%	(57.05)	-88%
Total Expenses	**39.38**	**100%**	**214.47**	**100%**	**(175.09)**	**-82%**

General and administrative expenses relating to the Group's operations, for the first half of 2020 amounted to ₱39.38 million, lower by 82% compared to previous year's same period level of ₱214.47 million. Salaries, wages, and employee benefits was ₱19.23 million or 49% of the total general and administrative expenses (GAEX). The same expenses amounted to ₱111.77 million for the same period in 2019. As of June 30, 2020, Professional Fees and Others (Taxes and Licenses, Rent and Utilities among others) both incurred 20% of total GAEX.

Equity in Net Loss of Associates

For the first half of 2020, the Group registered equity in net earnings of its associate companies amounting to ₱4.64 million vis-à-vis the equity in net loss of its associate companies incurred for the comparable period in 2020 amounting to ₱7.53 million. Equity in net earnings of Ninelives, Altitude SG and Microbenefits for the first half of 2020 amounted to ₱1.85 million, ₱1.17 million and ₱1.62 million, respectively.

Other Charges – net

For the first half of 2020, the Group recognized other net charges amounting to ₱1.11 million. This account mainly pertains to interest expense, foreign exchange gains and losses and bank charges.

Loss before Income Tax

The Group's loss before taxes for the six-month period ended June 30, 2020 was ₱50.43 million. The net loss before taxes for the Group improved by 52% or ₱54.38 million from the same period ended June 30, 2019, which posted a figure of ₱104.80 million.

Provision for (Benefit from) Income Tax

For the first half of 2020, the Group reported a Benefit from Income tax amounting to ₱1.86 million as compared to last year wherein the Group recognized provision for Income tax amounting to ₱10.55 million despite incurring a loss.

Net Loss

The Group posted a consolidated net loss of ₱48.57 million for the six-month period ended June 30, 2020, a decrease of 58% from the previous year's same period at ₱115.36 million.

Total Comprehensive Income (Loss)

As of June 30, 2020, the Group's total comprehensive loss amounted to ₱33.59 million, a decrease of 69% compared to total comprehensive loss of ₱108.07 million as at June 30, 2019.

Financial Position

As of June 30, 2020 compared to December 31, 2019

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱99.15 million as at June 30, 2020, a net decrease of 36% or ₱54.78 million from consolidated cash of ₱153.93 million as at December 31, 2019.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱52.55 million and ₱37.18 million as at June 30, 2020 and December 31, 2019, respectively, representing an increase of ₱15.37

million. The increase was generally the result of higher trade receivables (from ₱273.39 million as of December 31, 2019 to ₱274.58 million on June 30, 2020) coupled with lower allowance for impairment loss from ₱263.09 million in 2019 to ₱249.86 million in 2020.

Contract Asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The Group's consolidated contract asset totaled ₱9.49 million as of June 30, 2020, an increase of ₱1.20 million or 15% from its previous level on December 31, 2019 at ₱8.29 million.

Other Current Assets

The Group's consolidated other current assets totaled ₱37.78 million as of June 30, 2020, a decrease of ₱5.60 million or 13% from its previous level on December 31, 2019 at ₱4.20 million. Creditable withholding taxes, input VAT and prepaid expenses comprised majority of other current assets.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As at June 30, 2020, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position remained unchanged from its previous level on December 31, 2019 which amounted to ₱0.44 million and ₱44.25 million, respectively.

Investment in Associates

As of June 30, 2020, the Group's consolidated investment in associates amounted to ₱324.79 million, a 2% increase from its figure of ₱319.94 million on December 31, 2019. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd. (₱25.78 million), PT Sembilan Digital Investama (₱15.64 million), CTX (₱0.20 million) and Micro Benefits Limited (₱283.17 million).

Property and Equipment

The Group's consolidated property and equipment was ₱5.29 million on June 30, 2020 vis-à-vis ₱8.76 million on December 31, 2019, or a decrease of 40%. The Group acquired property and equipment amounting to ₱0.56 million and ₱75.39 million during the six-month period ended June 30, 2020 and June 30, 2019, respectively. Depreciation expense amounted to ₱2.78 million and ₱13.94 million for the six-month periods ended June 30, 2020 and 2019, respectively.

Property and equipment consisted of leasehold improvements, leased assets, office equipment, computer and information technology equipment, furniture and fixtures and right-of-use assets.

Right-of-use Assets

This account represents the right to use office spaces and computer equipment covered by non-cancellable lease agreements with terms ranging from 1.5 to 3 years. As of March 31, 2020, the Group recorded right-of-use assets with carrying amount of ₱3.39 million. Depreciation expense from right-of-use assets amounted to ₱1.58 million.

Intangible Assets

As of June 30, 2020, intangible assets amounted to ₱90.17 million, an 11% decrease from December 31, 2019 balance of ₱101.13 million. The components are goodwill, customer relationship, developed software and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of June 30, 2020, goodwill was at ₱48.22 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of June 30, 2020, developed software net book value was at ₱34.93 million. Amortization of developed software for the six-month period ended June 30, 2020 amounted to ₱10.33 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of June 30, 2020, leasehold rights net book value was at ₱1.22 million. Amortization of leasehold rights for the six-month period ended June 30, 2020 amounted to ₱0.43 million.
- Cryptocurrencies pertain to units of Bitcoin and Ethereum held by the Group as at June 30, 2020 valued at ₱5.80 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱38.09 million as of June 30, 2020. This figure was 7% higher than the value posted as of December 31, 2019 at ₱35.46 million. These are primarily rental, other deposits and other noncurrent assets.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱445.94 million as at June 30, 2020 saw an 8% (₱32.31 million) decrease from its December 31, 2019 figure of ₱478.25 million. The decrease was due to lower nontrade payables, accrued expenses, taxes payables and other payables.

The Group's accounts and other payables consisted mainly of trade payables (₱116.42 million), payable to related parties (₱102.72 million), and nontrade payables (₱51.97 million).

Loans Payable

The Group recorded ₱45.83 million in current loans on June 30, 2020 and ₱52.13 million on December 31, 2019. This was mainly attributable to the loans of the Group which are interest-bearing and short-term with different local banks and non-banks. Interest rates of said loans ranges from 4.00% to 7.60% in 2019 and 4.00% to 5.8125% in 2020.

Contract liability

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group's consolidated contract liability as at June 30, 2020 amounted to ₱93.64 million, an increase of 38% from the December 31, 2019 figure of ₱68.05 million.

Income Tax Payable

No income tax payable was recorded as at June 30, 2020 as compared to the December 31, 2019 figure of ₱3,184.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders amounting to ₱150.00 million, subject to 5.50% interest rate per annum payable in three (3) years from date of agreement.

Lease liabilities

Lease liabilities pertain to long-term office lease and lease for the use of Seer's IT equipment. As of June 30, 2020 and December 31, 2019, lease liabilities totaled ₱2.69 million and ₱3.81 million, respectively, a slight decrease of ₱1.12 million mainly due to rent payments. Current and non-current portions as of June 30, 2020 amounted to ₱2.55 million and ₱0.13 million, respectively.

Deferred Tax Liability - net

As of June 30, 2020, the deferred tax liability (net) was ₱5.43 million, a decrease of 22% or ₱1.52 million from ₱6.95 million as of December 31, 2019. This was primarily the deferred tax liability on fair value adjustment on intangible assets.

Pension Liability

The accrued pension of the Group was at ₱24.82 million on June 30, 2020, which was unchanged from its levels on December 31, 2019.

Capital Deficiency

Total Capital Deficiency

The Group recorded capital deficiency as of June 30, 2020 amounting to ₱7.69 million. Note that in 2019, the Group recognized significant impairment losses of its goodwill and investment in associates as well as loss from sale of Yondu which contributed largely to the 2019 net loss. As of December 30, 2019, the Group was left with only ₱25.89 million total equity. Incurring total comprehensive loss amounting to ₱33.59 million led the Group to a capital deficiency position as of June 30, 2020.

The impending entry of Wavemaker US Fund Management Holdings, LLC, into the Group, in addition to the continuous efforts to further increase existing businesses, is expected to reverse the capital deficiency.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In PhP Millions	For the 6 months ended June 30	
	2020	2019
	Amount	Amount
Net cash provided by (used in) Operating Activities	(57.18)	(25.59)
Net cash provided by (used in) Investing Activities	(3.27)	(11.81)
Net cash provided by (used in) Financing Activities	(6.30)	131.18
Effect of foreign currency exchange changes in cash	11.96	6.63
Net increase (decrease) in cash	(54.78)	100.41
Cash at beginning of period	153.93	177.40
Cash at end of period	**99.15**	**277.81**

Cash Flows Used in Operating Activities

For the first half of 2020, operating loss of ₱35.73 million was coupled with the corresponding increase in account receivables and account payables resulted to ₱57.43 million net cash used in operations. Together with interest received and income taxes paid, this resulted in a net cash used in operating activities of ₱57.18 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for the first half of 2020 was ₱3.27 million compared to ₱11.81 million used in the same period of 2019. The net cash used in investing activities was mainly attributable to the acquisitions of property and equipment and changes in other noncurrent assets.

Cash Flows Used in Financing Activities

The Group's consolidated net cash flow used in financing activities for the six-month period ended June 30, 2020 was ₱6.30 million vis-à-vis ₱131.18 million provided for the six-month period ended June 30, 2019. The cash flow provided by financing activities were mainly due to payment of loans.

Capital Expenditure

The Group's capital expenditures for the six-month period ended June 30, 2020 and the year ended December 31, 2019 amounted to ₱0.56 million and ₱84.87 million, respectively.

Key Financial Data In PhP Millions	June 30, 2020 Additions	December 31, 2019 Additions
Right-of-use Assets	-	73.49
IT Equipment	0.50	10.22
Leasehold Improvements	-	1.14
Office Equipment	0.06	0.02
Furniture and Fixtures	-	-
Leased Asset	-	-
	0.56	**84.87**

Additions of right-of-use assets resulted from adoption of PFRS 16.

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the 6 months period ended June 30		For the year ended December 31, 2019
	2020	2019	
Liquidity Ratios			
Current Ratio	**34%**	73%	41%
Quick Ratio	**27%**	67%	33%
Asset-to-Equity Ratio	**694%**	197%	575%
Profitability Ratios			
Net Loss Margin	**-66%**	-18%	-271%
Gross Margin	**-22%**	21%	15%
Operating Margin	**-46%**	-6%	-256%
Return on Total Assets	**-6%**	-2%	-93%
Return on Equity	**-40%**	-29%	-186%
Debt Ratios			
Debt-to-Equity Ratio	**7.02x**	0.68x	5.55x
Interest Coverage Ratio	**-9.48x**	-4.61x	-64.75x

Liquidity Ratios

Current Ratio and Quick Ratio for the six-month period ended June 30, 2020 were 34% and 27%, respectively, a decrease from their respective 41% and 33% figures during the full year of 2019. The decrease in both ratios was primarily from the significant decrease in currents assets particularly, cash and other current assets.

Asset-to-Equity Ratio

The increase in the asset-to-equity ratio from 575% on December 31, 2019 to 694% on June 30, 2020 resulted from the decrease in equity due to net loss incurred during the period.

Profitability Ratios

Profitability margins improved from December 31, 2019, due to the continuous cost-cutting initiatives of the Group. The result was an increase in Net Loss Margin (-66%), Operating Margin (-46%), Return on Total Assets (-6%) and Return on Total Equity (-41%). On the other hand, Gross Margin went down to -22% due to lower revenues earned.

Debt Ratios

Debt to Equity on June 30, 2020 was at 7.02x compared to 5.55x as of December 31, 2019. The increase in the gearing ratio was attributed to the decrease of total equity value as of June 30, 2020 compared to the previous year. Interest coverage ratio in June 30, 2020 was at -9.48x compared to -64.75x on December 31, 2019.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios		
Current ratio	Current assets	Current liabilities
Quick ratio	Current assets – Other current assets	Current liabilities
Asset-to-equity Ratio	Total assets	Total equity attributable to Parent Company
Profitability Ratios		
Net income ratio	Net income attributable to Parent Company	Service income + Sale of goods
Gross margin	(Service income + Sale of goods) – (Cost of services + Cost of goods sold)	Service income + Sale of goods
Operating margin	Earnings before interest, tax, depreciation and amortization	Service income + Sale of goods
Return on total assets	Net income attributable to Parent Company	Average total assets
Return on total equity	Net income attributable to Parent Company	Average total equity attributable to the Parent Company
Debt Ratios		
Debt-to-equity ratio	Total Liabilities	Total equity attributable to Parent Company
Interest coverage ratio	Earnings before interest and tax	Interest expense

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.
ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2019 are being addressed through the following: continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.
vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
vii. Seasonality. The effects of seasonality or cyclicality on the operations of the Group's business are confined to its mobile consumer and other services segment.

First Quarter of 2020 compared with First Quarter of 2019

Key Financial Data In PhP Millions	For the 3 months ended March 31 2020 Amount	2020 Percentage	2019 Amount	2019 Percentage	Amount Change	% Increase (Decrease)
Revenues						
Mobile consumer services	0.96	2%	7.74	3%	(6.78)	-88%
Enterprise services	25.15	54%	259.38	86%	(234.24)	-90%
Other services	20.90	44%	32.39	11%	(11.49)	-35%
Total Revenues	**47.00**	**100%**	**299.51**	**100%**	**(252.51)**	**-84%**
Cost of Services	29.63	63%	221.55	74%	(191.93)	-87%
Cost of Goods Sold	16.78	36%	29.19	10%	(12.41)	-43%
Gross Profit	**0.59**	**1%**	**48.77**	**16%**	**(48.18)**	**-99%**
General and Administrative Expenses	20.73	44%	107.69	36%	(86.96)	-81%
Equity in Net Loss of Associates	2.67	6%	5.40	2%	(2.73)	-51%
Other charges - net	(1.15)	-2%	9.44	3%	(10.59)	-112%
Loss Before Income Tax	**(21.66)**	**-46%**	**(73.75)**	**-25%**	**52.09**	**-71%**
Provision for (Benefit from) Income Tax	(0.88)	-2%	2.82	1%	(3.71)	-131%
Net Loss	**(20.78)**	**-44%**	**(76.58)**	**-26%**	**55.80**	**-73%**
Other Comprehensive Income	14.16	0%	2.33	1%	11.84	509%
Total Comprehensive Loss	**(6.62)**	**-14%**	**(74.25)**	**-25%**	**67.63**	**-91%**

	March 31, 2020 Amount	December 31, 2019 Amount	Amount Change	% Increase (Decrease)
Total Assets	690.81	713.94	(23.13)	-3%
Total Liabilities	671.53	688.05	(16.52)	-2%
Total Equity	19.28	25.89	(6.62)	-26%

Financial Summary

For the first quarter of 2020, the Group's total revenue was ₱47.0 million, a decrease of 84% compared to the first quarter of 2019 which was ₱299.51 million. In terms of bottom line, as compared to 2019 first quarter, the net loss of the Group decreased by 73% for the first 3 months of 2020 (from ₱76.58 million to ₱20.78 million). The drop in the topline and net loss was mainly due to the sale of Yondu back to Globe Telecoms Inc. In 2019, 80% of the Group's revenue came from Yondu, hence the decline in total revenue. Though Yondu generated profit, it is also the major company that incurred majority of the expenses.

The blended cost of services as of March 31, 2020 went down by 87% from ₱221.55 million to ₱29.63 million as compared to the three-month period ended March 31, 2019. Cost of goods sold attributable to other services was ₱16.78 million for Q1 of 2020 compared to ₱29.19 million figure for the first quarter of 2019.

Gross profit margins on total revenues, for the period ended March 31, 2020 was at 1%, a decrease from the same period last year of 16%. Gross profit decreased by 99% from ₱48.77 million for the first quarter of 2019 to ₱0.59 million for the same period in 2020.

General and administrative expenses decreased by 81%, from ₱107.69 million for the first quarter of 2019 to ₱20.73 million for the same period in 2020. Overall, the decrease in cost of services and GAEX was the result of the separation of Yondu's expenses from the Group. Aside from that, the Group has undertaken several cost reduction initiatives to lower expenses.

The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to ₱2.67 million for the three-month period ended March 31, 2020 (a 51% decrease from first quarter of 2019). Lower net loss of associate companies accompanied by reported tax benefit resulted to a decline in net loss for first quarter of 2020 compared to that same period in 2019 (from ₱5.40 million to ₱2.67 million).

In terms of growing the overall business of the Corporation, it aims to expand and sustain its overall business, as it continually implements reorganization to refocus the business on recurring and stable revenue stream. The Company is gearing to strengthen its enterprise business which provides services such as custom software development, cloud services, HR technology, solutions architecture and blockchain technology. It intends to seize the opportunity to support various companies in their digital transformation. For its residual mobile consumer business segment, the Company is also adopting the same concept of strengthening recurring and stable revenue. Another envisaged component to the recovery and growth is global tech management, wherein Xurpas gains access to high-value, emerging, innovative and disruptive technologies in the US.

Consolidated total assets slightly dropped by 3% from ₱713.94 million for the period ended December 31, 2019 to ₱690.81 million of the first 3 months of 2020. 67% of total assets in the first quarter of 2020 were composed of noncurrent assets particularly, investment in associates. The remaining 33% came from current assets namely, cash, accounts receivable, contract assets and other current assets.

Consolidated total liabilities also went down by 2% from ₱688.05 million as of December 31, 2019 to ₱671.53 million in March 31, 2020 due to lower trade payables. Lastly, consolidated total equity reduced to ₱19.28 million for March 31, 2020 from December 31, 2019 equity of ₱25.89 million as a result of the net loss incurred during the period.

Segment Financial Performance

For the 3-month period ended March 31, 2020 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	9.94	25.15	2.17	(8.99)	28.28
Revenue from sale of goods	-	-	18.72	-	18.72
Total Service Revenues	**9.94**	**25.15**	**20.90**	**(8.99)**	**47.00**
Operating expenses	23.14	14.08	26.63	3.29	67.14
Equity in net loss of associates	-	-	-	2.67	2.67
Other charges (income) - net	5.66	0.09	0.29	(7.19)	(1.15)
Total Expenses	**28.80**	**14.18**	**26.92**	**(1.23)**	**68.66**
Operating Loss	**(18.85)**	**10.97**	**(6.02)**	**(7.76)**	**(21.66)**
Provision from income tax	(0.10)	(0.00)	(0.00)	0.99	0.88
Net Loss	**(18.96)**	**10.97**	**(6.02)**	**(6.77)**	**(20.78)**

Xurpas Group operates under Mobile Consumer Services, Enterprise Services and Other Services segments. Prior to eliminations, for the three-month period ended March 31, 2020, the Group's enterprise business generated the highest revenue which is ₱25.15 million followed by other services which posted a revenue of ₱20.90 million and mobile consumer business with ₱9.94 million. (Note that after intersegment adjustments, revenue for Mobile Consumer services is ₱0.96 million and net loss is ₱25.73.) Out of the three business sources, only the enterprise business posted a net income of ₱10.97 million.

Profitability

For the three-month period ended March 31, 2020 compared with the three-month period ended March 31, 2019.

Revenues

The consolidated revenues of the Group for the three-month period ended March 31, 2020 amounted to ₱47.00 million, a decrease of 84% from ₱299.51 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	• Xurpas Parent Company • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Seer • Xurpas Enterprise • Xurpas Parent Company
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods	• Storm Technologies

In PhP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	25.15	54%	259.38	86%	(234.23)	-90%
Mobile consumer services	0.96	2%	7.74	3%	(6.79)	-88%
Other services	20.90	44%	32.39	11%	(11.49)	-35%
Total Revenues	**47.00**	**100%**	**299.51**	**100%**	**(252.51)**	**-84%**

Similar to the first quarter of 2019, the enterprise services contributed the most to the Group's revenue for the first 3 months of 2020 with 54% revenue contribution. Other services and mobile consumer services likewise posted revenue contribution of 44% and 2% respectively.

Revenue from enterprise services went down by 90% from ₱259.38 million in March 2019 to ₱25.15 million on March 31, 2020 with the absence of Yondu revenue as a result of its sale back to Globe Telecoms Inc. Lower revenue of ₱20.90 million for other services was posted for the first quarter of 2020 vis-à-vis ₱32.39 million for the same period in 2019. Lastly, the mobile consumer services further declined from ₱7.74 million of the first three-months of 2019 to ₱0.96 million as of March 31, 2020 as there has been no recovery on the value-added services (VAS) business with Globe and the digital advertising business.

Expenses

In PhP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	29.63	44%	221.55	62%	(191.93)	-87%
Cost of Goods Sold	16.78	25%	29.19	8%	(12.42)	-43%
General and Administrative Expenses	20.73	31%	107.69	30%	(86.96)	-81%
Total Expenses	**67.14**	**100%**	**358.43**	**100%**	**(291.29)**	**-81%**

The Group's consolidated expenses during the three-month period ended March 31, 2020 amounted to ₱67.14 million, an 81% decrease from the same period of the previous year at ₱358.43 million. For the first three months of 2020, cost of services accounted for the bulk of expenses, totaling ₱29.63 million or 44% of the Group's consolidated expenses. For the same period in 2019, cost of services amounted to ₱221.55 million, which comprised 62% of overall expenses. Decline in overall expenses was due to the elimination of Yondu's expenses as a result of its sale to GTI.

Cost of Services

In PhP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	19.02	64%	170.91	77%	(151.89)	-89%
Depreciation	5.97	20%	9.30	4%	(3.33)	-36%
Outsourced services	1.98	7%	3.82	2%	(1.83)	-48%
Webhosting	0.60	2%	13.48	6%	(12.87)	-96%
Others	2.05	7%	24.05	11%	(22.00)	-91%
Total Expenses	**29.63**	**100%**	**221.55**	**100%**	**(191.93)**	**-87%**

Due to the deconsolidation of Yondu in 2019, the Group saw a drastic decline in cost of services amounting to ₱191.93 million or 87%. In particular, salaries, wages and employee benefits decreased significantly, from ₱170.91 million in 2019 to ₱19.02 million in 2020.

Cost of Goods Sold

For three-month period ended March 31, 2020, cost of goods sold took up 25% of the Group's consolidated expenses, amounting to ₱16.78 million. This figure was a decrease of 43% from its level at ₱29.19 million in March 31, 2019. The decline in cost of goods sold was directly attributable to the decrease in revenues of Storm Technologies.

General and Administrative Expenses

In PhP Millions	For the 3 months ended March 31					
	2020		2019		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	8.65	42%	57.51	53%	(48.85)	-85%
Professional fees	3.86	19%	3.27	3%	0.58	18%
Depreciation	2.63	13%	13.72	13%	(11.09)	-81%
Others	5.60	26%	33.19	31%	(27.59)	-83%
Total Expenses	**20.73**	**100%**	**107.69**	**100%**	**(86.96)**	**-81%**

General and administrative expenses relating to the Group's operations, for the first three months of 2020 amounted to ₱20.73 million, lower by 81% compared to previous year's same period level of ₱107.69 million.

In comparison to the first quarter of 2019, salaries, wages and employee benefits contributed ₱57.51 million or 53% of total expenses. This was an 85% decline or ₱48.85 million. Professional fees registered a slight increase of ₱0.58 million.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the three-month period ended March 31, 2020, amounted to ₱2.67 million, 51% lower than the ₱5.40 million net loss for the comparable period. The decrease in equity in net loss of associates was partially due to the net loss from Altitude SG and 9Lives.

Other Charges – net

For the first three months of 2020, the Group recognized other income amounting to ₱1.15 million. This account mainly consists of gain on sale of subsidiary (CTX), interest income and other income totaling to ₱3.86 million, partially offset by interest expense, bank charges and foreign exchange losses with aggregate amount of ₱2.71 million.

Loss before Income Tax

The Group's net loss before taxes for the three-month period ended March 31, 2020 was ₱21.66 million. The net loss before taxes for the Group declined by 71% or ₱52.09 million from the same period ended March 31, 2019, which posted a figure of ₱73.75 million.

Provision for (Benefit from) Income Tax

Due to incurring losses, the Group recognized a provision for income tax benefit for the three- month period ended March 31, 2020 amounting to P0.88 million.

Net Loss

The Group posted a consolidated net loss of ₱20.78 million for the three-month period ended March 31, 2020, a decrease of 73% from the previous year's same period at ₱76.58 million.

Total Comprehensive Income (Loss)

As of March 31, 2020, the Group's total comprehensive loss amounted to ₱6.62 million, a 91% decline compared to total comprehensive income of ₱74.25 million as of March 31, 2019.

Financial Position

As of March 31, 2020 compared to December 31, 2019.

Assets

Cash and Cash Equivalents

The Group's consolidated cash and cash equivalents amounted to ₱128.69 million for the three-month period ended March 31, 2020, a net decrease of 16% or ₱25.23 million from consolidated cash of ₱153.93 million as of December 31, 2019.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱51.86 million and ₱37.18 million as of March 31, 2020 and December 31, 2019, respectively, representing an increase of ₱14.68 million. Most of it came from trade receivables, other receivables and receivables from associates.

Contract Asset

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The Group's consolidated contract asset totaled ₱9.49 million of March 31, 2020, an increase of ₱1.20 million from its previous level on December 31, 2019 at ₱8.29 million.

Other Current Assets

As of March 31, 2020, the Group's consolidated other current assets totaled ₱39.32 million, a decrease of ₱4.88 million or 10% from its previous level on December 31, 2019 of ₱44.20 million. Prepaid expenses, Creditable withholding taxes and Input VAT comprised majority of other current assets.

Financial assets at FVOCI

This account pertains to quoted and unquoted equity investments in Club Punta Fuego and Zowdow Inc. As of March 31, 2020, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position remained unchanged from its previous level on December 31, 2019 which both amounted to ₱0.44 million.

Investment in Associates

As of March 31, 2020, the Group's consolidated investment in associates had a slight decrease from ₱319.94 million during December 31, 2019 to ₱317.47 million. The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱278.02 million), Altitude Games Pte Ltd. (₱25.17 million), SDI (₱14.07 million), and CTX (₱0.20 million).

Property and Equipment

The Group's consolidated property and equipment was ₱7.75 million on March 31, 2020 vis-à-vis ₱8.76 million as of December 31, 2019. Additions and depreciation during the first three months of 2020 amounted to ₱0.50 million and ₱1.50 million, respectively. Property and equipment consisted of leasehold improvements, office equipment, information technology equipment and furniture and fixtures.

Right-of-use Assets

This account represents the right to use office spaces and computer equipment covered by non-cancellable lease agreements with terms ranging from 1.5 to 3 years. As of March 31, 2020, the Group recorded right-of-use assets with carrying amount of ₱3.81 million. Depreciation expense from right-of-use assets amounted to ₱1.16 million.

Intangible Assets

As of March 31, 2020, intangible assets amounted to ₱94.99 million, a 7% decrease from December 31, 2019 balance of ₱101.13 million. The components are goodwill, customer relationship, developed software and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As of March 31, 2020, goodwill is at ₱48.22 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of March 31, 2020, net book value of developed software was ₱39.52 million. Amortization of developed software for the three-month period ended March 31, 2020 amounted to ₱5.72 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of March 31, 2020, leasehold rights net book value is at ₱1.43 million. Amortization of leasehold rights for the three-month period ended March 31, 2020 amounted to ₱0.21 million.
- Cryptocurrencies pertain to units of Bitcoin held by the Group as of March 31, 2020 valued at ₱5.82 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱36.97 million as of March 31, 2020. This figure is 4% lower than the ₱35.46 million figure posted as of December 31, 2019.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables was at ₱442.07 million as of March 31, 2020. It decreased by 8% or ₱36.18 million from the December 31, 2019 figure of ₱478.25 million. The payables consisted of other payables, trade payables, payables to related parties, nontrade payables, accrued expenses, deferred output VAT and taxes payables.

Loans Payable

The Group recorded ₱51.02 million in current loans on March 31, 2020 and ₱52.13 million as of December 31, 2019. This is mainly attributable to the loans of Storm and Seer which are interest-bearing and short-term.

Contract Liability

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract.
The Group's consolidated contract liability as of March 31, 2020 amounted to ₱94.04 million, an increase of 38% from the December 31, 2019 figure of ₱68.05 million.

Income Tax Payable

The Group's consolidated income tax payable as of March 31, 2020 and December 31, 2019 was ₱3,184.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders amounting to ₱150.00 million, subject to 5.50% interest rate per annum payable in three (3) years from date of agreement.

Lease liabilities

Lease liabilities pertain to long-term office lease and lease for the use of Seer's IT equipment. As of March 31, 2020 and December 31, 2019, lease liabilities totaled ₱3.14 million and ₱3.81 million, respectively, a slight decrease of ₱0.67 million mainly due to rent payments. Current and non-current portions as of March 31, 2020 amounted to ₱2.71 million and ₱0.43 million, respectively.

Deferred Tax Liability - net

As of March 31, 2020, the deferred tax liability was ₱5.96 million, a decrease of 14% or ₱0.98 million from ₱6.95 million as of December 31, 2019. This is primarily the deferred tax liability on fair value adjustment on intangible assets.

Pension Liability

The accrued pension of the Group was at ₱24.82 million as of March 31, 2019, which was unchanged from its levels on December 31, 2019.

Equity

Total Equity

The Group's total equity as of March 31, 2020 was at ₱19.28 million, a 26% decrease from its December 31, 2019 level of ₱25.89 million. The net decrease in total equity was a result of the net loss incurred by the Group during the period. Deficit increased to ₱3,204.85 million in the first quarter of 2020 vis-à-vis ₱3,184.20 million in end 2019.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group is not in breach or default on any loan or other form of indebtedness.

Cashflows

	For the 3 months ended March 31	
	2020	2019
In PhP Millions	**Amount**	**Amount**
Net cash provided by (used in) Operating Activities	(31.22)	20.25
Net cash provided by (used in) Investing Activities	(2.01)	(6.91)
Net cash provided by (used in) Financing Activities	(1.81)	67.46
Effect of foreign currency exchange changes in cash	9.81	3.86
Net increase (decrease) in cash	(25.23)	84.67
Cash at beginning of period	153.93	177.40
Cash at end of period	**128.70**	**262.07**

Cash Flows Used in Operating Activities

For the first three months of 2020, operating loss before changes in working capital of ₱8.31 million was coupled with the corresponding increase in account receivables and account payables which resulted to ₱30.52 million net cash generated from operations. Together with interest received and income taxes paid, this resulted in a net cash used in operating activities of ₱31.22 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows provided by investing activities for the first three months of 2020 was ₱2.01 million compared to ₱6.91 million used in the same period of 2019.

Cash Flows Used in Financing Activities

The cash flow used in financing activities for the first quarter of 2020 was ₱1.81 million which was a decrease of 103% in comparison to the cashflow in the same period in 2019. The cash flow used in financing activities were mainly from the payment of loans.

Capital Expenditure

The Group's capital expenditures for the nine-month period ended March 31, 2020 and the year ended December 31, 2019 amounted to nil and ₱4.50 million, respectively.

Key Financial Data In PhP Millions	March 31, 2019 Additions	December 31, 2019 Additions
Right-of-use Assets	-	3.51
IT Equipment	0.50	0.12
Leasehold Improvements	-	0.39
Office Equipment	-	0.29
Furniture and Fixtures	-	0.19
Leased Asset	-	-
	0.50	**4.50**

Additions of right-of-use assets resulted from adoption of PFRS 16.

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the 3 months period ended March 31		For the year ended December 31, 2019
	2020	2019	
Liquidity Ratios			
Current Ratio	**39%**	64%	41%
Quick Ratio	**32%**	58%	33%
Asset-to-Equity Ratio	**585%**	193%	575%
Profitability Ratios			
Net Income Margin	**-43%**	-24%	-271%
Gross Margin	**1%**	16%	15%
Operating Margin	**-22%**	-13%	-256%
Return on Total Assets	**-3%**	-1%	-93%
Return on Equity	**-17%**	-29%	-186%
Debt Ratios			
Debt-to-Equity Ratio	**5.69x**	0.64x	5.55x
Interest Coverage Ratio	**-7.33x**	-5.70x	-64.75x

Liquidity Ratios

Current Ratio and Quick Ratio for the three-month period ended March 31, 2020 were 39% and 32%, respectively, a decrease from their respective 41% and 33% figures during the full year 2019. The decrease in both ratios was primarily from the significant decrease in current liabilities and minimal increase of current assets of the Group for that period.

Asset-to-Equity Ratio

The decrease in the asset-to-equity ratio from 575% in December 31, 2019 to 585% on March 31, 2020 was the result of the decrease in equity due to net loss incurred during the period.

Profitability Ratios

Profitability margins decreased from March 31, 2019, due to the overall business downturn. The result was a decrease in Gross Profit Margin (1%), Net Loss Margin (-43%), Operating Margin (-22%), Return on Total Assets (-3%) and an increase on Return on Equity (-17%).

Debt Ratios

Debt to Equity in March 31, 2020 was at 5.69x compared to 5.55x as of December 31, 2019. The decrease in the gearing ratio was attributed to the lower total liabilities as of March 31, 2020 compared to the previous year. Interest coverage ratio in March 31, 2020 was at -7.33x compared to -64.75x in December 31, 2019.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios		
1. Current ratio	Current assets	Current liabilities
2. Quick ratio	Current assets – Other current assets	Current liabilities
Asset-to-equity Ratio	Total assets	Total equity attributable to Parent Company
Profitability Ratios		
1. Net income ratio	Net income attributable to Parent Company	Service income + Sale of goods
2. Gross margin	(Service income + Sale of goods) – (Cost of services + Cost of goods sold)	Service income + Sale of goods
3. Operating margin	Earnings before interest, tax, depreciation and amortization	Service income + Sale of goods
4. Return on total assets	Net income attributable to Parent Company	Average total assets
5. Return on total equity	Net income attributable to Parent Company	Average total equity attributable to the Parent Company
Debt Ratios		
1. Debt-to-equity ratio	Total Liabilities	Total equity attributable to Parent Company
Interest coverage ratio	Earnings before interest and tax	Interest expense

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.

ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.

iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.

iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.

v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2019 are being addressed through the following: continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.

vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.

vii. Seasonality. The effects of seasonality or cyclicality on the operations of the Group's business are confined to its mobile consumer and other services segment.

Full year 2019 compared with 2018

Key Financial Data In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	854.73	88%	875.61	70%	(20.88)	-2%
Mobile consumer services	19.92	2%	270.86	22%	(250.94)	-93%
Other services	97.31	10%	95.72	8%	1.59	2%
Total Revenues	**971.96**	**100%**	**1,242.19**	**100%**	**(270.23)**	**-22%**
Cost of Services	742.19	76%	1,062.87	86%	(320.68)	-30%
Cost of Goods Sold	83.28	9%	69.73	5%	13.55	19%
Gross Profit	**146.48**	**15%**	**109.59**	**9%**	**36.89**	**34%**
General and Administrative Expenses	2,204.42	227%	701.04	57%	1,503.38	214%
Equity in Net Loss of Associates	33.29	3%	52.99	4%	(19.70)	-37%
Other charges - net	517.98	53%	22.69	2%	495.30	2183%
Loss Before Income Tax	**(2,609.21)**	**-268%**	**(667.13)**	**-54%**	**(1,942.07)**	**291%**
Provision for (Benefit from) Income Tax	26.15	3%	144.51	11%	(118.35)	-82%
Net Loss	**(2,635.36)**	**-271%**	**(811.64)**	**-65%**	**(1,823.72)**	**225%**
Other Comprehensive Income	8.39	1%	8.27	0%	0.12	1%
Total Comprehensive Loss	**(2,626.97)**	**-270%**	**(803.37)**	**-65%**	**(1,823.60)**	**227%**

	December 31, 2019 Amount	December 31, 2018 Amount	Amount Change	% Increase (Decrease)
Total Assets	713.94	4,966.57	(4,252.62)	-86%
Total Liabilities	688.05	1,499.98	(811.93)	-54%
Total Equity	25.89	3,466.58	(3,440.69)	-99%

Financial Summary

From a consistent growth of revenues from 2014 to 2017, the Group's revenues started its drop in 2018, as it faced 2 major business challenges in its mobile consumer segment. The industry reshaping event of widespread ad fraud that adversely affected the whole digital advertising industry, including the legitimate players, persisted until that year. In addition, domestically, the technical and business policy changes implemented by Globe Telecom affected the Group's Value Added Services (VAS) business

In 2019, the Group reported total revenues of ₱971.96 million or 22% decrease from 2018 revenue of ₱1,242.19 million due to the continuous decline in its mobile consumer business segment. The consumer segment earned revenues of ₱19.92 million. On the other hand, the enterprise revenues was at ₱854.73 million, which was slightly less than the previous year. The enterprise revenues was mostly generated by Yondu. For the year 2019, for Yondu, only revenues until September 11, 2019, were recorded as Yondu was sold back to Globe on that date.

Group revenues were mainly driven by enterprise services, comprising 88% of total revenues, followed by other services at 10% and mobile consumer services at 2%.

The Group recorded a net loss of ₱2,635.36 million in 2019. Aside from the drop in revenue which resulted in operating losses, the Group experienced a net loss due to the provision for impairment losses which totaled ₱1,923.42 million. The provisions for impairment was in relation to the goodwill of subsidiaries, investments in associates, receivables and other current assets. In addition, the sale of Yondu led to a ₱478.95 million loss.

The aggregate cost of services of the Group decreased from ₱1,062.87 million in 2018 to ₱742.19 million in 2019 or 30% decline. The drop in the COS was mostly due to lower salaries and wages, web hosting, and outsourced services as part of the company's cost cutting measures. The Cost of Goods Sold attributable to other services provided by Storm Technologies Inc. was ₱83.28 million in 2019, an increase of 19% from 2018 COGS of ₱69.73 million. Lower costs in 2019 translated to a slight improvement of Gross Profit Margin where the Group posted gross profit of ₱146.49 million in 2019 vis-à-vis ₱109.59 million in 2018.

The Group's general and administrative expenses increased from ₱701.04 million in 2018 to ₱2,204.42 million in 2019 or 214% increase. Higher provision for impairment loss and provision for liquidation costs were the main contributing factors for the ₱1,503.38 million increase in 2019 GAEX. Other GAEX items such as salaries and wages, rent, utilities, marketing and promotions, advertising, transportation and travel, taxes and licenses, advertising, and seminars and trainings decreased as part of the cost cutting measure implemented by the Company. Should impairment loss be excluded, GAEX in 2019 went down from ₱390.11 million in 2018 to ₱281.01 million or 28% decrease.

The Group recorded a ₱33.29 million net loss of the associate companies it has invested in, which decreased from ₱52.99 million in 2018.

Consolidated other charges, likewise, increased by ₱495.30 million or 2,183%, from ₱22.69 million in 2018 to ₱517.98 million in 2019. The significant increase was primarily due to the loss on sale of Yondu recognized in 2019 amounting to ₱478.95 million.

Despite incurring a loss before income tax of ₱2,609.21 million, the Group still recognized a provision for income tax for the year ended December 31, 2019 amounting to ₱26.15 million. Though the provision for impairment of goodwill and investments in associates as well as loss on disposal of Yondu are material expenses, these are considered permanent differences and, therefore, not deductible in terms of tax computation.

In terms of growing the overall business of the Corporation, it aims to expand and sustain its overall business, as it continually implements reorganization to refocus the business on recurring and stable revenue stream. The Company is gearing to strengthen its enterprise business which provides services such as custom software development, cloud services, HR technology, solutions architecture and blockchain technology. It intends to seize the opportunity to support various companies in their digital transformation. For its residual mobile consumer business segment, the Company is also adopting the same concept of strengthening recurring and stable revenue. Another envisaged component to the recovery and growth is global tech management, wherein Xurpas gains access to high-value, emerging, innovative and disruptive technologies in the US.

The Group's total assets in 2019 amounted to ₱713.94 million, a decrease of 86% from 2018 recorded total assets of ₱4,966.57 million. The decline in total assets was mostly due to the impairment of goodwill and investment in associates as well as the deconsolidation of Yondu in 2019. The Group's total liabilities in 2019 was reduced to ₱688.05 million vis-à-vis ₱1,499.98 million in 2018. Likewise, the decrease in liabilities can be attributed to the deconsolidation of Yondu in 2019. Lastly, total equity decreased from ₱3,466.58 million in 2018 to ₱25.89 million in 2019 as a result of the increased deficit of ₱3,184.80 million.

Segment Financial Performance

For the year ended December 31, 2019 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	68.33	861.82	5.17	(55.50)	879.81
Revenue from sale of goods	-		92.15	-	92.15
Total Service Revenues	**68.33**	**861.82**	**97.31**	**(55.50)**	**971.96**
Cost and expenses	2,638.04	782.30	162.03	(552.47)	3,029.90
Equity in net loss of associates	-	-	-	33.29	33.29
Other charges - net	225.47	0.30	8.32	283.89	517.98
Total Expenses	**2,863.51**	**782.60**	**170.35**	**(235.29)**	**3,581.17**
Operating Income (Loss)	**(2,795.18)**	**79.22**	**(73.04)**	**179.80**	**(2,609.21)**
Provision from income tax	(4.25)	(21.75)	(6.78)	6.63	(26.15)
Net Income (Loss)	**(2,799.43)**	**57.46**	**(79.82)**	**186.43**	**(2,635.36)**

For the year ended December 31, 2019, mobile consumer services' revenues, operating loss and net loss prior to eliminations were ₱68.33 million, ₱2,795.18 million and ₱2,799.43 million, respectively.

Enterprise services had an operating income of ₱79.22 million and net income of ₱57.46 million from revenues of ₱861.82 million. The other services segment has yet to yield a positive contribution to the Group.

Since the Parent Company operates under mobile consumer services, the segment suffered, as well, from the impairment losses on its goodwill and investments in associates and loss from sale of Yondu. Results of the segment's operations excluding one-off charges, will show net loss of ₱401.94 million.

Profitability

For the twelve-month period ended December 31, 2019 compared with the twelve-month period ended December 31, 2018.

Revenues

The consolidated service revenues of the Group for the year ended December 31, 2019 amounted to ₱971.96 million, a decrease of 22% from ₱1,242.19 million for the year ended December 31, 2018.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	• Xurpas Parent Company • Xeleb Technologies Inc. • Yondu * • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Xeleb Technologies Inc. • Seer • Yondu * • Xurpas Enterprise
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods	• Storm Technologies

**Until September 2019.*

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	854.73	88%	875.61	70%	(20.88)	-2%
Mobile consumer services	19.92	2%	270.86	22%	(250.94)	-93%
Other services	97.31	10%	95.72	8%	1.59	2%
Total Revenues	**971.96**	**100%**	**1,242.19**	**100%**	**(270.23)**	**-22%**

Revenues from enterprise services (which accounts for 88% of total revenues) decreased by 2% in 2019, to ₱854.73 million from ₱875.61 million in 2018. On the other hand, revenues from the mobile consumer services segment for 2019 amounted to ₱19.92 million, a decrease of 93% from the previous year's same period level of ₱270.86 million. This segment accounts for 2% of the total revenues. Other services booked revenues of ₱97.31 million in 2019, higher by 2% from the previous level at ₱95.72 million over the same period last year.

Expenses

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	742.19	24%	1,062.87	58%	(320.68)	-30%
Cost of Goods Sold	83.28	3%	69.73	4%	13.55	19%
General and Administrative Expenses	2,204.42	73%	701.04	38%	1,503.38	214%
Total Expenses	**3,029.90**	**100%**	**1,833.65**	**100%**	**1,196.25**	**65%**

The Group's consolidated expenses in 2019 amounted to ₱3,029.90 million, a 65% increase from previous year's ₱1,833.65 million. Bulk of the expenses came from the general and administrative expenses which contributed 73%, followed by cost of services at 24% and cost of goods sold at 3%. The Group's general and administrative expenses increased from ₱701.04 million in 2018 to ₱2,204.42 million in 2019 or 214% increase. Higher provision for impairment loss was the main contributing factor for the ₱1,503.38 million increase in 2019 GAEX. Should impairment be excluded, proforma GAEX in 2019 went down from ₱390.11 million in 2018 to ₱281.01 million or 28% decrease.

Cost of Services

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	539.04	73%	724.50	68%	(185.46)	-26%
Segment fee and network costs	88.66	12%	43.26	4%	45.41	105%
Depreciation and amortization	32.87	4%	39.32	4%	(6.45)	-16%
Others	81.62	11%	255.80	24%	(174.18)	-68%
Total Expenses	**742.19**	**100%**	**1,062.87**	**100%**	**(320.68)**	**-30%**

Cost of services totaling ₱742.19 million in 2019 (a 30% decrease from ₱1,062.87 million in 2018) was mainly comprised (1) Salaries, wages and employee benefits, (2) Segment fee and network costs, and (3) Depreciation and amortization, which accounted for 73%, 12% and 4% respectively. The decrease in total COS was a result of lower outsourced services, web hosting and royalties.

General and Administrative Expenses

In PhP Millions	For the year ended December 31					
	2019		2018		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Provision for impairment loss	1,923.42	87%	310.94	44%	1,612.48	519%
Salaries and wages	107.48	5%	151.96	22%	(44.48)	-29%
Depreciation and amortization	43.77	2%	29.87	4%	13.90	47%
Others	129.75	6%	208.27	30%	(78.52)	-38%
Total Expenses	**2,204.42**	**100%**	**701.04**	**100%**	**1,503.38**	**214%**

In 2019, the general and administrative expenses of the Group's operations amounted to ₱2,204.42 million, which was higher by 214% compared to previous year's ₱701.04 million. The increase mostly came from higher provision for impairment loss which translated to an 87% contribution. The remaining expenses amounting to ₱281.01 million were attributed to salaries and wages, depreciation and amortization and other expenses.

The provision for impairment losses on goodwill, investment in associates, receivables and other current assets totaled ₱1,923.42 million. Breakdown of this provision are as follows: (1) Provision for impairment loss related to goodwill recorded for Art of Click (AOC), Storm, and Seer amounting to

₱1,811.39 million; (2) Impairment loss on investments for Micro Benefits Limited (MBL) and MatchMe amounting to ₱107.15 million; (3) Provision for impairment of receivables amounting to ₱3.30 million and (4) Provision for impairment of other current assets amounting to ₱1.58 million.

Other expenses such as salaries and wages, rent, utilities, marketing and promotions, advertising, transportation and travel, taxes and licenses, advertising, and seminars and trainings decreased as part of the cost cutting measures implemented by the Company.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the period ended December 31, 2019 amounted to ₱33.29 million.

Other Charges – net

In 2019, the Group recorded other charges amounting to ₱517.98 million. This account mainly consists of loss on sale of subsidiary (Yondu), interest expense, bank charges, foreign exchange loss, loss on retirement and disposal of property and equipment and loss from sale of cryptocurrencies totaling to ₱526.05 million, partially offset by unrealized gain on revaluation of cryptocurrencies, interest income and other income with aggregate amount of ₱8.06 million.

On September 11, 2019, Yondu was sold back to Globe Telecoms Inc for a total price of ₱501.25 million. As of date of sale, the net assets attributable to Xurpas Inc. was ₱980.20 million. Resulting loss on sale of subsidiary (Yondu) recognized under "Other charges – net" amounted to ₱478.95 million.

Income (Loss)before Income Tax

The Group's loss before income taxes for the year ended December 31, 2019 was ₱2,609.21 million, a 291% increase from previous year's ₱667.13 million.

Provision for Income Tax

Despite incurring a loss before income tax of ₱2,609.21 million, the Group still recognized a provision for income tax for the year ended December 31, 2019 amounting to ₱26.15 million. Though the provision for impairment of goodwill and investments in associates as well as loss on disposal of investment in subsidiary are material expenses, these are considered permanent differences and, therefore, not deductible in terms of tax computation.

Net Income (Loss)

The Group posted a consolidated net loss of ₱2,635.36 million in 2019, a 225% increase from the previous year's net loss of ₱811.64 million.

Total Comprehensive Income (Loss)

As a consequence of increased net loss, the Group's total comprehensive loss increased by 227% in 2019 (from ₱803.37 million in 2018 to ₱2,626.97 million in 2019).

Financial Position

As of December 31, 2019 compared to December 31, 2018.

Assets

Cash and Cash Equivalent

The Group's consolidated cash amounted to ₱153.93 million for the twelve-month period ended December 31, 2019, a net decrease of 13% or ₱23.47 million from consolidated cash of ₱177.40 million as of December 31, 2018.

Accounts and Other Receivables

The Group's consolidated accounts and other receivables amounted to ₱37.18 million and ₱530.64 million as of December 31, 2019 and December 31, 2018, respectively. In 2019, accounts receivable declined by 93% or ₱493.45 million due to lower trade receivables. Accounts receivable in 2019 nets out the allowance for impairment amounting to ₱263.09 million.

Contract Assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. As of December 31, 2019, contract assets amounted to ₱8.29 million, a slight decrease of ₱1.46 million or 15% from 2018.

Other Current Assets

The Group's consolidated other current assets in 2019 totaled ₱44.20 million, a 24% decrease from 2018 figure of ₱57.90 million. It was mostly comprised of creditable withholding tax and input VAT.

Financial Assets at FVOCI

As of December 31, 2019 and 2018, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.44 million and ₱0.48 million, respectively.

Investment in Associates

In 2019, the Group's consolidated investment in associates amounted to ₱319.94 million, a decrease of ₱136.06 million or 30% compared to the 2018 figure of ₱456.00 million. The decrease was mostly due to the impairment of investment in Micro Benefits and in MatchMe amounting to ₱68.49 million and ₱38.66 million, respectively. Impairment loss is recognized when carrying value of the investment exceeds recoverable amount.

The breakdown of the carrying amounts of these investments are as follows: Micro Benefits Limited (₱281.55 million), Altitude Games Pte. Ltd. (₱24.60 million), and SDI (₱13.79 million).

Property and Equipment

The Group's consolidated property and equipment was ₱8.76 million as of December 31, 2019. It decreased by ₱50.76 million or 85% as compared to 2018 which amounted to ₱59.52 million. Property and equipment consisted mainly of leasehold improvements, IT equipment, furniture and fixtures and office equipment.

The decrease was mainly due to disposal of assets resulting from deconsolidation of Yondu. Further, as a result of adopting PFRS 16, leased assets previously presented under "Property and Equipment" were reclassed to "Right-of-use Assets". Carrying value of these leased assets at date of adoption, January 1, 2019, amounted to ₱1.66 million.

Intangible Assets

As of December 31, 2019, intangible assets amounted to ₱101.13 million, a 97% decrease from 2018 balance of ₱3,612.92 million. The components are goodwill, customer relationship, developed software, - and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of subsidiaries acquired by the Group. As of December 31, 2019, goodwill was at ₱48.22 million. Decrease in goodwill was driven by the following: (1) Impairment of goodwill for investments in AOC, Storm and Seer amounting to ₱1,956.25 million; and (2) Disposal through deconsolidation of Yondu amounting to ₱540.15 million.
- Customer relationship pertains to Yondu's noncontractual and contractual agreements with GTI, its major customer, which are expected to generate revenues for the Group in subsequent periods. The Group derecognized its customer relationship amounting to ₱1,077.81 million as a result of disposal through deconsolidation of Yondu.
- Developed software pertain to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As of December 31, 2019, net book value of developed software was ₱45.18 million. Movements in developed software are accounted for as follows: (1) Additions during the year amounting to ₱2.52 million; (2) Amortization during the year amounting to ₱30.74 million; and (3) Disposal of developed software through deconsolidation of Yondu with net book value totaling to ₱47.68 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2019, net book value of leasehold rights was ₱1.64 million. Movements in leasehold rights are accounted for as follows: (1) Amortization during the year amounting to ₱1.90 million; and (2) Disposal of leasehold rights through deconsolidation of Yondu with net book value amounting to ₱6.99 million.
- Cryptocurrencies pertain to units of Bitcoin and Ether held by the Group as of December 31, 2019 which amounted to ₱6.08million.

Right-of-use Asset

As a result of adopting PFRS 16, the Group recognized right-of-use assets based on their carrying amounts as of January 1, 2019 amounting to ₱77.94 million. This amount includes those reclassed from property and equipment with carrying values totaling to ₱1.66 million. Addition and amortization during the year amounted to ₱3.49 million and ₱22.10 million, respectively, while disposal through deconsolidation of Yondu amounted to ₱17.86 million.

Pension Asset

The Group's recorded nil pension asset as of December 31, 2019 vis-à-vis ₱1.41 million in 2018.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to nil as of December 31, 2019 vis-à-vis ₱14.19 million as of December 31, 2018. Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Group did not recognize deferred tax assets for deductible temporary differences since management believes that there are no sufficient future taxable profits against which the deferred tax assets can be utilized.

Other Noncurrent Assets

In 2019, other noncurrent assets amounted to ₱35.46 million which decreased by 24% from the previous year's figure of ₱46.37 million. Decline was due to deconsolidation of Yondu.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱478.25 million as of December 31, 2019. It decreased by ₱176.27 million or 27% from 2018 balance of ₱654.52 million mainly due to the deconsolidation of Yondu which contributed most of the payables. Further, in 2019, the Group recognized reduction in its provision relating to ODX's PSA due to the costs incurred for the platform development which amounted to ₱46.58 million.

Loan Payable

The Group recorded ₱52.13 million worth of current loans (short term and interest bearing) as of December 31, 2019. The decrease from 2018 loans which amounted to ₱358.74 million was the net result of availments and payments of loans in 2019 amounting to ₱9.74 million and ₱316.35 million, respectively.

Contract Liabilities

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract. As of December 31, 2019, contract liabilities amounted to ₱68.05 million.

Income Tax Payable

For 2019, the Group's consolidated income tax payable was ₱3,134, an almost 100% decrease from December 31, 2018 figure of ₱2.19 million.

Lease liabilities

As a result of adopting PFRS 16, the Group recognized lease liabilities at date of adoption, January 1, 2019, amounting to ₱76.50 million. Movements in this account comprise of addition (₱3.34 million), accretion of interest (₱2.56 million), payments (21.83 million), sale of a subsidiary (₱56.85 million) and translation adjustment (₱528).

As of December 31, 2019, current and non-current portions amounted to ₱2.78 million and ₱1.03 million, respectively.

Other Current Liabilities

The Group posted other current liabilities amounting to nil and ₱63.75 million as of December 31, 2019 and 2018, respectively. Significant decrease was primarily due to the deconsolidation of Yondu during the year.

Advances from stockholders – net of current portion

This account pertains to the loan agreement entered into by the Parent Company on April 29, 2019 with its founders amounting to ₱150.00 million, subject to 5.50% interest rate per annum payable in three (3) years from date of agreement.

Deferred Tax Liability

As of December 31, 2019, the deferred tax liabilities amounted to ₱6.95 million, a 98% decrease or ₱345.60 million from ₱352.73 million as of December 31, 2018. The significant decrease was due to the derecognition of deferred tax liability on fair value adjustment on intangible assets as a result of deconsolidation of Yondu.

Pension Liability

The accrued pension of the Group was ₱24.82 million in 2019 compared to ₱23.52 million as of December 31, 2018 or a 6% increase.

Equity

Total Equity

As of December 31, 2019, the Group's total equity was at ₱25.89 million, a 99% decrease from 2018 equity of ₱3,466.58 million. Lower equity was mainly due to the increase in deficit brought about by the net loss of ₱2,635.36 million.

Liquidity and Capital Resources

The Group's liquidity was primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has debts through the Parent Company, Storm Technologies Inc. and Seer Technologies Inc. which are short term in nature. The Group does not anticipate having any cash flow or liquidity problems over the next 12 months. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

	For the year ended December 31	
	2019	2018
In PhP Millions	**Amount**	**Amount**
Net cash provided by (used in) Operating Activities	(130.24)	(186.02)
Net cash provided by (used in) Investing Activities	366.19	(102.43)
Net cash provided by (used in) Financing Activities	(270.27)	236.19
Effect of foreign currency exchange changes in cash	10.85	14.40
Net increase (decrease) in cash	(23.47)	(37.86)
Cash at beginning of period	177.40	215.25
Cash at end of period	**153.93**	**177.40**

Cash Flows used in Operating Activities

For the year ended December 31, 2019, operating loss before changes in working capital of ₱59.30 million coupled with the corresponding increase in working capital resulted to ₱65.29 million net cash used in operations. Together with interest received, interest paid and income taxes paid, net cash used in operating activities totaled ₱130.24 million.

Cash Flows used in Investing Activities

Cash provided by investing activities in 2019 was ₱366.19 million while cash used in investing activities in 2018 amounted to ₱102.43 million. The net cash provided by investing activities was mainly attributable to the proceeds from sale of subsidiary, proceeds from disposal of property and equipment, and proceeds from the sale of cryptocurrencies.

Cash Flows used in Financing Activities

The consolidated net cash used in financing activities for the year 2019 was ₱270.27 million while net cash provided by financing activities for the year 2018 was ₱236.19 million. Net cash was mainly used to pay off creditors.

Capital Expenditure

The Group's capital expenditures amounted to ₱14.78 million and ₱18.35 million in 2019 and 2018, respectively.

Key Financial Data In PhP Millions	**December 31, 2019 Additions**	**December 31, 2018 Additions**
Right-of-use Assets	4.61	-
IT Equipment	9.01	14.58
Leasehold Improvements	0.75	2.52
Office Equipment	0.21	1.19
Furniture and Fixtures	0.19	0.06
	14.78	**18.35**

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	**For the years ended December 31**		
	2019	2018	2017
Liquidity Ratios			
Current Ratio	**41%**	69%	54%
Quick Ratio	**33%**	64%	51%
Asset-to-Equity Ratio	**575%**	183%	231%
Profitability Ratios			
Net Income Margin	**-271%**	-62%	2%
Gross Margin	**15%**	9%	31%
Operating Margin	**-256%**	-46%	12%
Return on Total Assets	**-93%**	-14%	1%
Return on Equity	**-186%**	-22%	1%
Debt Ratios			
Debt-to-Equity Ratio	**5.55x**	0.55x	0.97x
Interest Coverage Ratio	**-64.75x**	-20.45x	2.81x

Liquidity Ratios

The current ratio and quick ratio of the Group was at 41% and 33% in 2019, respectively, and 69% and 64% in 2018, respectively. The decrease in both ratios was mainly due to the decline in both current assets and current liabilities brought about by the deconsolidation of Yondu.

Asset-to-Equity Ratio

In 2019, the Asset-to-Equity ratio of the Group increased to 575% from 183% of 2018. The increase was mostly because of the increase in deficit, reducing total equity.

<u>Profitability Ratios</u>

Overall, profitability margins in 2019 declined mainly because of the losses incurred by the Group from impairing its goodwill and investments in associates as well as the loss from sale of its investment in Yondu. The gross profit margin, however, increased from 9% in 2018 to 15% in 2019 as a result of the Group's continuing cost cutting measures.

<u>Debt Ratios</u>

For 2019, the Debt-to-Equity ratio increased from 0.55x in 2018 to 5.55x which can be attributed to increase in deficit, reducing total equity. The interest coverage ratio further declined in 2019 to -64.75x from -20.45x because of the big drop in earnings before interest and tax expense and higher interest expense in 2019 as compared to 2018.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios		
Current ratio	Current assets	Current liabilities
Quick ratio	Current assets – Other current assets	Current liabilities
Asset-to-equity Ratio	Total assets	Total equity attributable to Parent Company
Profitability Ratios		
Net income ratio	Net income attributable to Parent Company	Service income + Sale of goods
Gross margin	(Service income + Sale of goods) – (Cost of services + Cost of goods sold)	Service income + Sale of goods
Operating margin	Earnings before interest, tax, depreciation and amortization	Service income + Sale of goods
Return on total assets	Net income attributable to Parent Company	Average total assets
Return on total equity	Net income attributable to Parent Company	Average total equity attributable to the Parent Company
Debt Ratios		
Debt-to-equity ratio	Total Liabilities	Total equity attributable to Parent Company

Interest coverage ratio	$\dfrac{\text{Earnings before interest and tax}}{\text{Interest expense}}$

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.

ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.

iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.

iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.

v. Material Events/ Uncertainties. There are no new trends, events, or uncertainties that are expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations. The Group's financial challenges in 2019 are being addressed through the following: continuous venture into new revenue potentials, cost cutting measures, and entry of new strategic investors.

vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.

vii. Seasonality. The effects of seasonality or cyclicality on the operations of the Group's business are confined to its mobile consumer and other services segment.

Full year 2018 compared with 2017

Key Financial Data In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase (Decrease)
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	270.86	22%	1,336.54	64%	(1,065.68)	-80%
Enterprise services	875.61	70%	667.60	32%	208.01	31%
Other services	95.72	8%	99.44	5%	(3.72)	-4%
Total Revenues	**1,242.19**	**100%**	**2,103.57**	**100%**	**(861.38)**	**-41%**
Cost of Services	1,062.87	86%	1,373.41	65%	(310.54)	-23%
Cost of Goods Sold	69.73	5%	81.01	4%	(11.28)	-14%
Gross Profit	**109.59**	**9%**	**649.15**	**31%**	**(539.56)**	**-83%**
General and Administrative Expenses	701.04	57%	572.62	27%	128.42	22%
Equity in Net Loss of Associates	52.99	4%	36.72	2%	16.27	44%
Other charges (income) - net	22.69	2%	(82.23)	-4%	104.92	-128%
Income (Loss) Before Income Tax	**(667.13)**	**-54%**	**122.04**	**6%**	**(789.17)**	**-647%**
Provision for (Benefit from) Income Tax	144.51	11%	19.47	1%	125.04	642%
Net Income (Loss)	**(811.64)**	**-65%**	**102.57**	**5%**	**(914.21)**	**-891%**
Other Comprehensive Income	8.27	0%	21.15	1%	(12.88)	-61%
Total Comprehensive Income (Loss)	**(803.37)**	**-65%**	**123.72**	**6%**	**(927.09)**	**-749%**

	December 31, 2018 Amount	December 31, 2017 Amount	Amount Change	% Increase (Decrease)
Total Assets	4,966.57	5,810.18	(843.61)	-15%
Total Liabilities	1,499.98	2,454.68	(954.70)	-39%
Total Equity	3,466.58	3,355.50	111.08	3%

Financial Summary

Total revenues decreased by ₱861.38 million or 41% for 2018, from ₱2,103.57 million in 2017 to ₱1,242.19 million in 2018. Group revenues were mainly driven by enterprise services, comprising 70% of the total revenues. The net income of the Group for 2018, decreased by 891% (from ₱102.57 million in 2017 to a net loss of ₱811.64 million in 2018). Total comprehensive income over the same period decreased by 749% from ₱123.72 million in 2017 to a total comprehensive loss of ₱803.37 million as at 2018.

The blended cost of services (aggregating the subsidiaries' costs) decreased by 23% from ₱1,373.41 million for 2017 to ₱1,062.87 million for 2018. The outsourced services cost of AoC was the largest component of the decrease, which resulted from the drop in its revenues. Segment fee/network costs, web hosting, and royalties also decreased due to lower VAS revenues. Cost of goods sold attributable to other services was ₱69.73 million for 2018 compared to ₱81.01 million in 2017, a decrease of 14% or ₱11.28 million.

Gross profit margins on total revenues, for 2018 was at 9%, a decrease from 2017's margin of 31%. Gross profit decreased by 83% from ₱649.15 million for 2017 to ₱109.59 million for 2018.

General and administrative expenses of the Group increased by 22%, from ₱572.62 million for 2017 to ₱701.04 million for the same period in 2018. The increase was mainly due to salaries and wages, rent and outsourced services, which were partially offset by major decreases in taxes and licenses, professional fees, transportation and travel, advertising, marketing and promotions, and seminars/trainings, as part of cost cutting measures. Note that Yondu accounts for 90% of the increase in salaries and wages, a result of the continuing growth of its enterprise business. Also included in these expenses are the provisions for the impairment of receivables and goodwill, totaling ₱310.94 million.

The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to ₱52.99 million for 2018.

Despite incurring a loss before income tax of ₱667.13 million, the Group still recognized a provision for income tax for the year ended December 31, 2018 amounting to ₱144.51 million. The increase in provision for income tax was mainly due to increase in deferred tax assets (DTA) that were unrecognized during the year.

Overall, the net income for the Group decreased from ₱102.57 million for 2017 to a net loss of ₱811.64 million in 2018.

Consolidated total assets as of December 31, 2018 amounted to ₱4,966.57 million, a decrease of 15% from ₱5,810.18 million as of December 31, 2017. Consolidated total liabilities decreased by 39% from ₱2,454.68 million as of December 31, 2017 to ₱1,499.98 million in December 31, 2018, due mainly to the settlement of payable to former shareholders of a subsidiary and the expiration of liability for written put option. Consolidated total equity increased by 3% over the same period, from ₱3,355.50 million to ₱3,466.58 million. This was a result of the new issuance of common shares and derecognition of equity reserve resulting from expiration of the written put option; coupled with the losses in 2018.

Segment Financial Performance

As of December 31, 2018 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	314.24	909.85	7.14	(77.89)	1,153.34
Revenue from sale of goods	-	-	88.85	-	88.85
Total Service Revenues	**314.24**	**909.85**	**95.99**	**(77.89)**	**1,242.19**
Operating expenses	1,126.78	940.47	167.13	(400.73)	1,833.65
Equity in net loss of associates	-	-	-	52.99	52.99
Other charges (income) - net	(16.59)	3.27	8.37	27.63	22.69
Total Expenses	**1,110.19**	**943.74**	**175.50**	**(320.11)**	**1,909.32**
Operating Loss	**(795.95)**	**(33.89)**	**(79.51)**	**242.22**	**(667.13)**
Provision from income tax	(5.32)	(20.77)	(25.14)	(93.28)	(144.51)
Net Loss	**(801.27)**	**(54.66)**	**(104.65)**	**148.94**	**(811.64)**

As of December 31, 2018, mobile consumer services' revenues, operating loss and net loss prior to eliminations were ₱314.24 million, ₱795.95 million and ₱801.27 million, respectively. Enterprise services had an operating loss of ₱33.89 million and net loss of ₱54.66 million from revenues of ₱909.85 million. For 2018, although Yondu's enterprise business was profitable, this was not enough to offset the losses of the subsidiaries under this segment. The other services segment has yet to yield a positive contribution to the Group.

Profitability

For the twelve-month period ended December 31, 2018 compared with the twelve-month period ended December 31, 2017

Revenues

The consolidated service revenues of the Group for the period ended December 31, 2018 amounted to ₱1,242.19 million, a decrease of 41% from ₱2,103.58 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via	• Xurpas Parent Company • Xeleb Technologies Inc.

	the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	• Yondu • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Xeleb Technologies Inc. • Seer • Yondu • Xurpas Enterprise
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods	• Storm Technologies

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Enterprise services	875.61	70%	667.60	32%	208.01	31%
Mobile consumer services	270.86	22%	1,336.54	64%	(1,065.68)	-80%
Other services	95.72	8%	99.44	5%	(3.72)	-4%
Total Revenues	**1,242.19**	**100%**	**2,103.57**	**100%**	**(861.38)**	**-41%**

Revenues from enterprise services (which accounts for 70% of total revenues) increased by 31% in 2018, to ₱875.61 million from ₱667.60 million in 2017. On the other hand, revenues from the mobile consumer services segment for 2018 amounted to ₱270.86 million, a decrease of 80% from the previous year's same period level of ₱1,336.54 million. This segment accounts for 22% of the total revenues. Other services booked revenues of ₱95.72 million in 2018, lower by 4% from the previous level at ₱99.44 million over the same period last year.

Expenses

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	1,062.87	58%	1,373.41	68%	(310.54)	-23%
Cost of Goods Sold	69.73	4%	81.01	5%	(11.28)	-14%
General and Administrative Expenses	701.04	38%	572.62	28%	128.42	22%
Total Expenses	**1,833.64**	**100%**	**2,027.04**	**100%**	**(193.40)**	**-10%**

The Group's consolidated expenses in 2018 amounted to ₱1,833.64 million, a 10% decrease from previous year's ₱2,027.04 million. For 2018, cost of services accounted for the bulk of expenses, totaling ₱1,062.87 million or 58% of the Group's consolidated expenses. For 2017, cost of services amounted to ₱1,373.41 million or 68% of overall expenses.

Cost of Services

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	724.50	68%	639.94	47%	84.56	13%
Outsourced services	143.93	14%	463.38	34%	(319.45)	-69%
Segment fee and network costs	43.26	4%	71.15	5%	(27.89)	-39%
Others	151.19	14%	198.95	14%	(47.76)	-24%
Total Expenses	**1,062.87**	**100%**	**1,373.41**	**100%**	**(310.54)**	**-23%**

Cost of services totaling ₱1,062.87 million in 2018 (compared to ₱1,373.41 million for 2017 or a 23% decrease), was mainly comprised of (1) Salaries, wages, and employee benefits, (2) Outsourced services, and (3) Segment fee and network costs, which accounted for 68%, 14%, and 4%, respectively. Of the total cost of services for the period, 59% is attributed to Yondu. The decrease in total cost of services was mainly brought about by the decrease in the outsourced services cost of AoC, which is a consequence of the drop in its digital advertising revenues. Segment fee/network costs, web hosting, and royalties also decreased due to lower VAS revenues.

Cost of Goods Sold

For the period ended December 31, 2018, cost of goods sold took up 4% of the Group's consolidated expenses, amounting to ₱69.73 million. This figure was a decrease of 14% from its level of ₱81.01 million in December 31, 2017. Costs related to the sale of goods from its flexible benefits and performance programs were appropriated as cost of goods sold. This led to the improved gross profit margins for Storm.

General and Administrative Expenses

In PhP Millions	For the 12 months ended December 31					
	2018		2017		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Provision for impairment losses	310.94	44%	106.54	19%	204.40	192%
Salaries, wages and employee benefits	151.96	22%	163.02	28%	(11.06)	-7%
Rent	42.09	6%	33.17	6%	8.92	27%
Others	196.05	28%	269.89	47%	(73.84)	-27%
Total Expenses	**701.04**	**100%**	**572.62**	**100%**	**128.42**	**22%**

General and administrative expenses relating to the Group's operations, for 2018 amounted to ₱701.04 million, higher by 22% compared to previous year's ₱572.62 million. Provision for impairment losses in 2018 amounted to ₱310.94 million or 44% of total general and administrative expenses or GAEX. Salaries, wages, and employee benefits was ₱151.96 million or 22% of the total GAEX. The same expenses amounted to ₱163.02 million in 2017.

Overall, the 22% increase in total GAEX was mainly due to the provision for impairment losses on receivables and goodwill, totaling ₱310.94 million. Details are the following: 1) provision for impairment loss related to certain receivable of Art of Click (AoC) amounting to ₱127.07 million 2) impairment of goodwill recorded for AoC amounting to ₱144.86 million and 3) provision for impairment of other receivables (as a result of the new accounting standard PFRS 9), which amounted to ₱39.01 million.

There were also decreases in salaries and wages, taxes and licenses, professional fees, transportation and travel, advertising, marketing and promotions, and seminars and trainings. The decreases in salaries and wages across some companies in the Group, is a result of cost cutting initiatives in response to the drop in revenues of certain business segments.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the period ended December 31, 2018, amounted to ₱52.99 million.

Other Income – net

For the year 2018, the Group recognized other charges amounting to ₱22.69 million; with interest expenses of ₱31.11 million, offset by interest income and gain on foreign exchange transactions.

Income (Loss) before Income Tax

The Group's loss before income taxes for period ended December 31, 2018 was ₱667.13 million. The loss before income taxes for the Group declined by 647% from December 31, 2017, which posted a figure of ₱122.04 million.

Provision for Income Tax

Despite incurring a loss before income tax, the Group still recognized a provision for income tax for the year ended December 31, 2018 amounting to ₱144.51 million, 642% higher compared to the same period in 2017 where provision for income tax amounted to ₱19.47 million. The increase in provision for income tax was mainly due to increase in deferred tax assets (DTA) that were unrecognized during the year. These are deductible temporary differences for which no DTA are recognized since management believes that there are no sufficient taxable profits against which the DTA can be utilized. For the year ended December 31, 2018, changes in unrecognized DTA amounted to ₱322.77 million.

Net Income

The Group posted a consolidated net loss of ₱811.64 million for the period ended December 31, 2018, a decrease of 891% from the previous year's same period at ₱102.57 million.

Total Comprehensive Income

As of December 31, 2017, the Group's total comprehensive loss amounted to ₱803.37 million, a decrease of 749% compared to ₱123.72 million as at December 31, 2017.

Financial Position

As of December 31, 2018 compared to December 31, 2017

Assets

Cash

The Group's consolidated cash amounted to ₱177.40 million for the twelve-month period ended December 31, 2018, a net decrease of 18% or ₱37.86 million from consolidated cash of ₱215.25 million as at December 31, 2017.

Accounts and Other Receivable

The Group's consolidated accounts receivable amounted to ₱530.64 million and ₱845.67 million as at December 31, 2018 and December 31, 2017, respectively, representing a decrease of ₱315.03 million or 37%. Accounts receivable in 2018 nets out the allowance for impairment amounting to ₱265.02 million.

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. As of December 31, 2018, contract assets amounted to ₱9.75 million.

Other Current Assets
The Group's consolidated other current assets totaled ₱57.90 million, a decrease of ₱0.04 million from its previous level on December 31, 2017 at ₱57.94 million. Prepaid expenses and deferred input VAT comprised majority of other current assets.

Financial Assets at FVOCI

This account pertains to quoted and unquoted equity investments previously classified as AFS financial assets but are now classified and measured as financial assets at FVOCI as a result of adoption of PFRS 9.

As of December 31, 2018, carrying value and net unrealized loss on financial assets at FVOCI recognized in the consolidated statement of financial position amounted to ₱0.48 million and ₱44.22 million, respectively.

Available for sale financial asset

Upon adoption of PFRS 9, the quoted and unquoted equity investments were reclassified as financial assets at FVOCI while the unquoted debt investments were reclassified as financial assets at FVPL in the consolidated statements of financial position. As of December 31, 2018, the resulting available for sale financial asset is nil vis-à-vis ₱159.05 million in 2017.

Investment in Associates

As of December 31, 2018, the Group's consolidated investment in associates amounted to ₱456.00 million, a 12% decrease from its figure of ₱515.66 million during December 31, 2017. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd. (₱24.34 million), MatchMe (₱43.71 million), SDI (₱10.64 million), and Micro Benefits Limited (₱377.31 million).

Property and Equipment

The Group's consolidated property and equipment was ₱59.20 million in December 31, 2018 vis-à-vis ₱76.15 million in December 31, 2017, or a decrease of 22%. Property and equipment mainly consisted of leasehold improvements, leased assets, office, information technology equipment, furniture, and fixtures. The decrease was due to retirement and disposal of certain equipment.

Intangible Assets

Intangible assets of ₱3,612.92 million as at December 31, 2018 were recognized in relation to the Group's acquisitions and investments. Movements in this account pertains to additions, disposal, revaluation surplus amounting to ₱16.62 million; amortization (net of disposal) of ₱37.07 million; and impairment of goodwill amounting to ₱144.86 million. These resulted to a net 4% decrease amounting to ₱160.96 million vis-à-vis the December 31, 2017 figure at ₱3,773.88 million. The major components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As at December 31, 2018, goodwill is at ₱2,399.76 million. This nets out an impairment of ₱144.86 million, pertinent to AoC.

- Customer relationship pertains to Yondu's noncontractual and contractual agreements with Globe Telecoms, its major customer which are expected to generate revenues for the Group in subsequent periods. As of December 31, 2018, customer relationship is valued at ₱1,077.81 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As at December 31, 2018, developed software net book value is at ₱121.08 million. Amortization of developed software for the twelve-month period ended December 31, 2017 amounted to ₱34.59 million.
- Cryptocurrencies pertain to units of Bitcoin held by the Group as at December 31, 2018 valued at ₱5.48 million
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2018, leasehold rights net book value is at ₱8.79 million. Amortization of leasehold rights for the twelve-month period ended December 31, 2018 amounted to ₱2.48 million.

Pension Asset

The Group's recorded pension asset as of December 31, 2018 and December 31, 2017 was at ₱1.41 million and ₱0.31 million, respectively, an increase of 354%.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to ₱14.19 million as at December 31, 2018, lower by 88% or ₱101.34 million vis-à-vis its December 31, 2017 level at ₱115.53 million. The significant decrease in deferred tax asset was brought about by the increase in unrecognized deferred tax asset as aforementioned.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱46.37 million as of December 31, 2018. This figure is 9% lower than the value posted as of December 31, 2017 at ₱50.74 million. These are primarily rental deposits amounting to ₱19.95 million.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱654.52 million as at December 31, 2018 was a 33% or ₱161.41 million increase from its December 31, 2017 figure of ₱493.11 million.

The Group's accounts and other payables consisted mainly of trade payables at ₱179.20 million, payable to related parties at ₱104.03 million (₱102.42 million from Xurpas, as advances from stockholders), deferred output VAT at ₱42.67 million and accrued expenses at ₱42.66 million.

Loans Payable

The Group recorded ₱358.74 million in current loans in December 31, 2018 and ₱377.42 million in December 31, 2017. This is mainly attributable to the loans of the Parent Company which are interest-bearing and short-term.

Income Tax Payable

The Group's consolidated income tax payable as at December 31, 2018 amounted to ₱2.19 million, a decrease of 78% from the December 31, 2017 figure of ₱10.08 million.

Contract Liabilities

Contract liabilities are obligations to transfer goods and services to customers from whom the Group has received consideration. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due. Contract liabilities are recognized as revenue when the Group performs under the contract.

As at December 31, 2018, contract liabilities amounted to ₱44.50 million.

Other Current Liabilities
The Group's other current liabilities amounted to ₱63.75 million in December 31, 2018 compared to ₱77.17 million in 2017, a decrease of 17%.

Finance Lease- net of current portion

Seer entered into a lease agreement with BPI Leasing Corporation for the use of IT and transportation equipment with a lease term three (3) and five (5) years, respectively. Effective monthly interest rates range from 0.83% to 1.12%. Seer's finance lease net of current portion is ₱0.02 million in December 31, 2018 and ₱0.61 million December 31, 2017.

Deferred Tax Liability

As of December 31, 2018, the deferred tax liability (net) was at ₱352.73 million, a decrease of 1% or ₱3.13 million from ₱355.86 million as of December 31, 2017.

Pension Liability

The accrued pension of the Group is at ₱23.52 million in December 31, 2018 compared to ₱31.30 million in December 31, 2017 or a decrease of 25%.

Equity

Total Equity

The Group's total equity as of December 31, 2018 was at ₱3,466.58 million, a 3% increase from its December 31, 2017 level at ₱3,355.50 million. The net decrease in total equity was a result of decrease in equity reserve from ₱1,250.72 million as of December 31, 2017 to ₱402.22 million as of December 31, 2018. Retained earnings decreased from ₱322.73 million as of December 31, 2017 to negative ₱556.37 million as at December 31, 2018 because of the net losses for 2018. This also included the reclassification for Available for Financial Assets as a result of adopting PFRS 9 which resulted into a net unrealized loss on financial assets at FVOCI of ₱44.22 million; which is recorded as a contra-equity account.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group does not anticipate having any cash flow or liquidity problems over the next 12 months. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In PhP Millions	For the 12 months ended December 31	
	2018	2017
	Amount	Amount
Net cash provided by (used in) Operating Activities	(186.02)	248.52
Net cash provided by (used in) Investing Activities	(102.43)	(169.89)
Net cash provided by (used in) Financing Activities	236.19	(274.97)
Effect of foreign currency exchange changes in cash	14.40	(16.92)
Net increase (decrease) in cash	(37.86)	(213.26)
Cash at beginning of period	215.25	428.52
Cash at end of period	**177.40**	**215.25**

Cash Flows Provided by Operating Activities

For the first twelve months of 2018, operating loss of ₱385.95 million was coupled with the corresponding decrease in account receivables and account payables for a resulting ₱104.91 million net cash used in operations. Together with interest received and income taxes paid, this resulted in a net cash used in operating activities of ₱186.02 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for subsidiaries and associates for the twelve months of 2018 was ₱102.43 million compared to ₱169.89 million used in the same period of 2017. The net cash used in investing activities was mainly attributable to the proceeds of sale from cryptocurrencies and the balance of the earn-out payment to Art of Click.

Cash Flows Provided by (Used in) Financing Activities

The Group's consolidated net cash flow provided by financing activities for period ended December 31, 2018 was ₱236.19 million compared to net cash flow used in financing activities for the period ended December 31, 2017 which was ₱274.97 million.

Capital Expenditure

The Group's capital expenditures for the period ended December 31, 2018 and the year ended December 31, 2017 amounted to ₱18.35 million and ₱27.50 million, respectively.

Key Financial Data In PhP Millions	December 31, 2018 Additions	December 31, 2017 Additions
Office Equipment	1.19	3.08
IT Equipment	14.58	18.03
Furniture and Fixtures	0.06	0.95
Leasehold Improvements	2.52	4.33
Leased Asset	-	1.11
	18.35	**27.50**

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

In Percentage	For the year ended December 31		
	2018	2017	2016
Liquidity Ratios			
Current Ratio	**69%**	54%	105%
Quick Ratio	**64%**	51%	102%
Asset-to-Equity Ratio	**183%**	231%	219%
Profitability Ratios			
Net Income Margin	**-62%**	2%	11%
Gross Margin	**9%**	31%	41%
Operating Margin	**-46%**	12%	24%
Return on Total Assets	**-14%**	1%	7%
Return on Equity	**-22%**	1%	14%
Debt Ratios			
Debt-to-Equity Ratio	**0.56x**	0.97x	0.91x
Interest Coverage Ratio	**-20.45x**	2.81x	11.84x

Current Ratios

Current Ratio and Quick Ratios in the twelve-month period at December 31, 2018 were 69% and 64%, respectively, an increase from their respective 54% and 51% figures during the full year of 2017. The increase in both ratios was primarily from the decrease in current liabilities; due to the reversal of the liability for written put option and the settlement of the payable to a former shareholder of a subsidiary, even as current assets also decreased over the period.

Asset-to-Equity Ratio

The decrease in the asset-to-equity ratio from 231% in December 31, 2017 to 183% in December 31, 2018 resulted from the decrease in total assets vis-à-vis equity, which increased over the same period.

Profitability Ratios

Profitability margins decreased from December 31, 2017, as a result of business combination and expenses related to the Group's investments and acquisitions. The decrease in Gross Profit Margin (9%), Net Income Margin (-62%), Operating Margin (-46%), Return on Total Assets (-14%) and Return on Equity (-22%) was a result of the year's net losses.

Debt Ratios

Debt to Equity ratio in December 31, 2018 was at 0.56x compared to 0.97x as at December 31, 2017. The decrease in the gearing ratio was attributed to the lower liability in December 31, 2018 compared to the previous year. Interest coverage ratio in December 31, 2017 was at -20.45x compared to 2.81x the previous year. The decrease in this ratio is because of the big drop in earnings before interest and tax expense and higher interest expense in 2018 compared to 2017.

The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios

Current ratio $\dfrac{\text{Current assets}}{\text{Current liabilities}}$

Quick ratio $\dfrac{\text{Current assets – Other current assets}}{\text{Current liabilities}}$

Asset-to-equity Ratio	$\dfrac{\text{Total assets}}{\text{Total equity attributable to Parent Company}}$
Profitability Ratios	
Net income ratio	$\dfrac{\text{Net income attributable to Parent Company}}{\text{Service income + Sale of goods}}$
Gross margin	$\dfrac{\text{(Service income + Sale of goods) – (Cost of services + Cost of goods sold)}}{\text{Service income + Sale of goods}}$
Operating margin	$\dfrac{\text{Earnings before interest, tax, depreciation and amortization}}{\text{Service income + Sale of goods}}$
Return on total assets	$\dfrac{\text{Net income attributable to Parent Company}}{\text{Average total assets}}$
Return on total equity	$\dfrac{\text{Net income attributable to Parent Company}}{\text{Average total equity attributable to the Parent Company}}$
Debt Ratios	
Debt-to-equity ratio	$\dfrac{\text{Total Liabilities}}{\text{Total equity attributable to Parent Company}}$
Interest coverage ratio	$\dfrac{\text{Earnings before interest and tax}}{\text{Interest expense}}$

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.
ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.
iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.
iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.
v. Material Events/ Uncertainties. There are no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.
vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.
vii. Seasonality. The effects of seasonality or cyclicality on the operations of the Group's business are confined to its mobile consumer and other services segment.

Full year 2017 compared with 2016

Key Financial Data In PhP Millions	For the 12 months ended December 31					
	2017		2016 (As restated)		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Revenues						
Mobile consumer services	1,336.54	64%	1,239.92	64%	96.61	8%
Enterprise services	667.60	32%	653.14	34%	14.45	2%
Other services	99.44	5%	54.07	3%	45.36	84%
Total Revenues	**2,103.57**	**100%**	**1,947.14**	**100%**	**156.43**	**8%**
Cost of Services	1,373.41	65%	1,101.90	57%	271.52	25%
Cost of Goods Sold	81.01	4%	41.82	2%	39.19	94%
Gross Profit	**649.15**	**31%**	**803.43**	**41%**	**(154.28)**	**-19%**
General and Administrative Expenses	572.62	27%	354.73	18%	217.89	61%
Equity in Net Loss of Associate	36.72	2%	33.90	2%	2.82	8%
Other charges (income) - net	(82.23)	-4%	35.69	2%	(117.92)	-330%
Income Before Income Tax	**122.04**	**6%**	**379.10**	**19%**	**(257.06)**	**-68%**
Provision for Income Tax	19.47	1%	114.27	6%	(94.80)	-83%
Net Income	**102.57**	**5%**	**264.84**	**14%**	**(162.27)**	**-61%**
Other Comprehensive Income (Loss)	21.15	1%	14.59	1%	6.56	45%
Total Comprehensive Income	**123.72**	**6%**	**279.42**	**14%**	**(155.70)**	**-56%**

	Dec. 31, 2017 Amount	Dec. 31, 2016 Amount	Amount Change	% Increase
Total Assets	5,810.18	6,476.43	(666.25)	-10%
Total Liabilities	2,454.68	2,686.93	(232.25)	-9%
Total Equity	3,355.50	3,789.50	(434.00)	-11%

Financial Summary

Total revenues increased by ₱156.43 million or 8%, from ₱1, 947.14 million in 2016 to ₱2,103.57 million in 2017. The net income of the Group for the twelve-month period ended December 31, 2017, decreased by 61% (from ₱264.84 million (as restated) in the year ended 2016 to ₱102.57 million in 2017). Total comprehensive income over the same period decreased by 56% from ₱282.32 million as at December 31, 2016 to ₱123.72 million as at December 31, 2017. Group revenues were still mainly driven by mobile consumer services, comprising 64% of the total revenues.

The blended cost of services (aggregating the subsidiaries' costs) increased by 25% from ₱1,101.90 million for the year ended 2016 to ₱1,373.41 million for the comparable period in 2017. Cost of goods sold attributable to other services was ₱81.01 million for the year ended 2017 compared to ₱41.82 million in 2016, an increase of 94% or ₱39.19 million. Gross profit margins on total revenues, for the period ended December 31, 2017 was at 31%, a decrease from the same period last year at 41%. Gross profit decreased by 19% from ₱803.43 million for the full year of 2016 to ₱649.15 million for the same period in 2017.

General and administrative expenses increased by 61%, from ₱354.73 million in 2016 to ₱572.62 million for the same period in 2017. Overall, the increase was mainly due to the costs related to the Group's expansion: (i) absorption of operating expenses of acquired subsidiaries made in 2015 and 2016, (ii) increase in salaries and wages due to organizational build-up of the parent company and acquired subsidiaries, and (iii) investment and acquisition-related costs and legal fees, the latter being non-recurring, and (iv) one-time impairment losses. Included in the general and administrative expenses were increase in non-cash expenses such as depreciation and amortization related to capitalization costs, as well as non-cash interest expenses related to the recognition of liability for a written put option. The Company also shares in the recorded net loss of the associate companies it has invested in, which amounted to ₱36.72 million for the period ended December 31, 2017. Provision for taxes during 2017 was ₱19.47 million or 83% lower than the same period in 2016 at ₱114.27 million. Overall, the net income for the Group decreased from ₱264.84 million (as restated) in 2016 to ₱102.57 million over the same period in 2017; a decrease of 61%.

Consolidated total assets as of December 31, 2017 amounted to ₱5,810.18 million, a decrease of 10% from ₱6,476.43 million as of December 31, 2016. The net decrease of ₱666.25 million in total assets was mainly brought by the ₱335.92 million decrease in financial assets at FVPL. Consolidated total liabilities decreased by 9% from ₱2,686.93 million as of December 31, 2016 to ₱2,454.68 million in December 31, 2017, due mainly to the decrease in contingent liability. Consolidated total equity decreased by 11% over the same period, from ₱3,789.50 million to ₱3,355.50 million. This was a result of the increase in equity reserve.

Segment Financial Performance

As of December 31, 2017 In PhP Millions	Mobile Consumer Services	Enterprise Services	Other Services	Intersegment Adjustments	Consolidated
Revenue from services	1,599.60	721.36	5.67	(317.08)	2,009.55
Revenue from sale of goods	-	-	94.02	-	94.02
Total Service Revenues	**1,599.60**	**721.36**	**99.69**	**(317.08)**	**2,103.57**
Operating expenses	1,424.34	721.94	169.43	(288.68)	2,027.03
Equity in net loss of associates	-	-	-	36.72	36.72
Other charges (income) - net	(207.18)	(5.09)	1.31	128.73	(82.23)
Total Expenses	**1,217.16**	**716.85**	**170.74**	**(123.23)**	**1,981.52**
Operating profit	**382.44**	**4.51**	**(71.05)**	**(193.85)**	**122.05**
Provision for income tax	64.63	27.49	(7.22)	(65.43)	19.47
Net Income	**317.81**	**(22.98)**	**(63.82)**	**(128.42)**	**102.58**

As of December 31, 2017, mobile consumer services' revenues, operating profit and net income prior to eliminations were ₱1,599.60 million, ₱382.43 million and ₱317.80 million, respectively. These translated to 24% operating profit margin and 20% net income margin. Enterprise services had an operating profit of ₱4.51 million and net loss of ₱22.98 million (net loss margin of 3%) from revenues of ₱721.36 million. For 2017, although Yondu's enterprise business was profitable, this was not enough to offset the losses of the subsidiaries under this segment. The other services segment has yet to yield a positive contribution to the Group.

Profitability

For the twelve-month period ended December 31, 2017 compared with the twelve-month period ended December 31, 2016

Revenues

The consolidated service revenues of the Group for the period ended December 31, 2017 amounted to ₱2,103.57 million, an increase of 8% from ₱1,947.14 million the same period of the previous year.

The service income component of total revenues is comprised of the following segments:

Segment	Description	Subsidiaries
Mobile consumer services	Revenues ultimately derived from providing mobile consumer services via the Telcos, as well as mobile marketing and advertising solutions integrated in mobile casual games and platforms	• Xurpas Parent Company • Xeleb Technologies Inc. • Yondu • Art of Click
Enterprise services	Revenues derived from the provision of mobile platform solutions to corporate and government clients, information technology (IT) staff augmentation and consultancy services, various enterprise solutions-based services to Telcos and other companies for network, platform and applications development	• Xeleb Technologies Inc. • Seer • Yondu • Xurpas Enterprise
Other services	Revenues derived from services related to the proprietary platform called "Flex Benefits System" and "Ace" (formerly "Kudos") which allows employees to convert their employee benefits to other benefits which includes sale of goods	• Storm Technologies

In PhP Millions	**For the 12 months ended December 31**					
	2017		**2016**		**Amount Change**	**% Increase**
	Amount	**Percentage**	**Amount**	**Percentage**		
Revenues						
Mobile consumer services	1,336.54	64%	1,239.92	64%	96.61	8%
Enterprise services	667.60	32%	653.14	34%	14.45	2%
Other services	99.44	5%	54.07	3%	45.36	84%
Total Revenues	**2,103.57**	**100%**	**1,947.14**	**100%**	**156.43**	**8%**

Revenues from the mobile consumer services segment for the twelve-month period ended December 31, 2017 amounted to ₱1,336.54 million, an increase of 8% from the previous year's same period level of ₱1,239.92 million. The increase was attributed to the growth from the mobile games business and the accretive value of the acquisition of Art of Click in 2017. This segment accounts for 64% of the total revenues. On the other hand, revenues from enterprise services (which accounts for 32% of total revenues) increased by 2% in December 31, 2017, to ₱667.60 million from ₱653.14 million in December 31, 2016. Other services booked revenues of ₱99.44 million in the first twelve months of 2017, higher by 84% from the previous level at ₱54.07 million over the same period last year. The increase in the sales of Storm was attributed to organic growth in its client base and active platform users.

Expenses

In PhP Millions	For the 12 months ended December 31					
	2017		2016		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
Expenses						
Cost of Services	1,373.41	68%	1,101.90	74%	271.51	25%
Cost of Goods Sold	81.01	4%	41.82	3%	39.19	94%
General and Administrative Expenses	572.62	28%	354.73	24%	217.89	61%
Total Expenses	2,027.04	100%	1,498.45	100%	528.58	35%

As of the full year of 2016, Xurpas had as subsidiaries: Xeleb Technologies (formerly Fluxion), Storm Flex, Xeleb, Seer, and Yondu. In contrast, the full year of 2017 now also includes Art of Click. The Group's consolidated expenses during the period ended December 31, 2017 amounted to ₱2,027.04 million, a 35% increase from the same period of the previous year at ₱1,498.44 million. For the full year of 2017, cost of services accounted for the bulk of expenses, totaling ₱1,373.41 million or 68% of the Group's consolidated expenses. For the same period in 2016, cost of services amounted to ₱1,101.90 million or 74% of overall expenses of ₱1,498.44 million.

Cost of Services

In PhP Millions	For the 12 months ended December 31					
	2017		2016		Amount Change	% Increase
	Amount	%	Amount	%		
Cost of Services						
Salaries, wages and employee benefits	639.94	47%	486.90	44%	153.04	31%
Outsourced services	463.38	34%	368.53	33%	94.85	26%
Royalty fees	81.31	6%	48.44	4%	32.87	68%
Others	188.78	14%	198.03	18%	(9.25)	-5%
Total Expenses	**1,373.41**	**100%**	**1,101.91**	**100%**	**271.51**	**25%**

Cost of services totaling ₱1,373.41 million as of December 31, 2017, was mainly driven by expenses relating to (1) Salaries, wages, and employee benefits, (2) Outsourced services, and (3) Royalty fees, which accounted for 47%, 34%, and 6%, respectively. These costs were directly borne from rendering mobile consumer services, enterprise services, and other services to the Group's clients for the twelve months of 2017. Of the total cost of services for the period, more than half is attributed to Art of Click and Yondu.

Cost of Goods Sold

For the period ended December 31, 2017, cost of goods sold took up 4% of the Group's consolidated expenses, amounting to ₱81.01 million. This figure was an increase of 94% from its level at ₱41.82 million in December 31, 2016. The increase in cost of goods sold was directly attributable to the increase in revenues of Storm Technologies. Costs related to the sale of goods from its flexible benefits and performance programs were appropriated as cost of goods sold.

General and Administrative Expenses

In PhP Millions	For the 12 months ended December 31					
	2017		2016		Amount Change	% Increase
	Amount	Percentage	Amount	Percentage		
General and Administrative Expenses						
Salaries, wages and employee benefits	163.02	28%	126.49	36%	36.53	29%
Provision for impairment losses	106.54	19%	0.39	0%	106.15	27218%
Professional fees	48.03	8%	43.31	12%	4.72	11%
Taxes and licenses	43.66	8%	18.65	5%	25.01	134%
Others	211.37	37%	165.89	47%	45.48	27%
Total Expenses	**572.62**	**100%**	**354.72**	**100%**	**217.90**	**61%**

General and administrative expenses relating to the Group's operations, for twelve months of 2017 amounted to ₱572.62 million, higher by 61% compared to previous year's same period level of ₱354.73 million. The increase in the GAEX was primarily brought about by the consolidation of operational expenses from the latest acquired subsidiary, Art of Click, which contributed 26% of the total. Salaries, wages, and employee benefits was ₱163.02 million or 28% of the total general and administrative expenses (GAEX). The same expenses amounted to ₱126.49 million for the same period in 2016. The next biggest cost component in December 31, 2017 was Provision for impairment losses amounting to ₱106.54 million or 19% of total GAEX. This refers to the provision made for one of Art of Click's clients, net of amount that it actually was able to collect from its other clients. Likewise, in 2017, due to the change in the payment structure to the main seller of the shares of Art of Click to Xurpas, the Parent Company incurred ₱48.07 million for one-off expenses pertaining to donors/capital gains tax, professional fees, bank charges and foreign exchange loss.

Equity in Net Loss of Associates

The equity of the Group in the net loss of its associate companies for the period ended December 31, 2017, amounted to ₱36.72 million. These companies are still in their testing phase or are in the process of ramping up or commercializing their operations. Despite the aggregate net loss of associates for 2017, the Group is now seeing profits from the associates companies - PT Sembilan Digital Investama (SDI), and MatchMe. Altitude Games and MicroBenefits are the associates that posted a net loss for 2017. Altitude Games business is expected to pick up, as it closed a partnership with a big US mobile games developer, to co-develop and introduce games to the US market. For MicroBenefits, it had as its main focus in the first half, product and user experience upgrade. This paved the way to landing more clients in 2017. MicroBenefits added eight additional brands, representing more than 100 factories in at least 20 factory family groups. It has expanded out of China to Vietnam, India, Bangladesh, and Guatemala.

Other Income – net

For the year 2017, the Group recognized other income amounting to ₱82.23 million. This account mainly pertains to net gain from income and charges subsequent to the business combination with Art of Click amounting to ₱90.91 million which is composed of the ₱364.01 million gain from waiver of deferred purchase consideration, ₱26.59 million foreign exchange loss, ₱30.92 million accretion of unamortized expense, ₱61.63 million interest expense on payable to former shareholders of AOC and ₱153.96 million loss from additional payments to former shareholder of AOC.

Earnings before Interest, Tax, Depreciation, and Amortization (EBITDA)

In PhP Millions	For the 12 months ended December 31			
	2017	**2016**	**Amount Change**	**% Increase**
Income before tax	**122.04**	**379.10**	**(257.06)**	**-68%**
Depreciation and amortization	66.98	48.63	18.35	38%
Interest expense	67.54	34.98	32.56	93%
EBITDA	**256.56**	**462.71**	**(206.15)**	**-45%**

The Group's EBITDA decreased by 45% in December 31, 2017 to ₱256.56 million from ₱462.71 million the same period of the previous year. Depreciation and amortization of property and office equipment and intangible assets amounted to ₱66.98 million as at December 31, 2017 from ₱48.63 million as at December 31, 2016. Interest expense increased by 93% from ₱34.98 million as of December 31, 2016 to ₱67.54 million for the same period in 2017.

Income before Income Tax

The Group's net income before taxes for period ended December 31, 2017 was 6% of total revenues or a figure of ₱122.04 million. The net income before taxes for the Group declined by 68% or ₱257.06 million from the same period ended December 31, 2016, which posted a figure of ₱379.10 million.

Provision for Income Tax

Provision for income tax during the twelve-month period ended December 31, 2017 amounted to ₱19.47 million, compared to the same period in 2016, where provision for income tax was ₱114.27 million; an 83% decrease.

Net Income

The Group posted a consolidated net income of ₱102.57 million for the period ended December 31, 2017, a decrease of 61% from the previous year's same period at ₱264.84 million. Despite the Group's continuing organizational build-up, acquisition, investment-related expenses during this period versus that on December 31, 2016, the revenues generated a net income margin of 5% for the twelve months of 2017. Without the provision for impairment loss, the net income would have been ₱203.58 million.

Total Comprehensive Income

As of December 31, 2017, the Group's total comprehensive income amounted to ₱123.72 million, a decrease of 56% compared to ₱282.32 million as at December 31, 2016.

Financial Position

As of December 31, 2017 compared to December 31, 2016

Assets

Cash

The Group's consolidated cash amounted to ₱215.25 million for the twelve-month period ended December 31, 2017, a net decrease of 50% or ₱213.26 million from consolidated cash of ₱428.52 million as at December 31, 2016.

Financial Assets at Fair Value through Profit or Loss

The total Net Asset Value (NAV) and fair value of the Fund as of December 31, 2017 was nil, compared to ₱335.92 million in December 30, 2016. Part of the funds raised by the Parent Company after the April 29, 2016 overnight top-up placement was placed in the SB Money Market Fund while waiting for the appropriate use of the proceeds. The SB Money Market Fund was invested in a diversified portfolio of primarily short-term fixed income instruments. As at December 31, 2017, the funds were used for partial payment due to Emmanuel Allix for the purchase of Art of Click.

Accounts Receivable

The Group's consolidated accounts receivable amounted to ₱845.67 million and ₱956.90 million as at December 31, 2017 and December 31, 2016, respectively, representing a decrease of ₱111.23 million. In December 31, 2017, trade receivables were valued at ₱933.36 million, whereby Yondu and Art of Click account for ₱518.25 million (56% of the total) and ₱273.87 million (29% of the total), respectively.

Available for Sale Financial Assets

As of December 31, 2017, the Group's available for sale financial assets amounted to ₱159.05 million, which increased by 4% or ₱6.08 million from its previous level on December 31, 2016. These are investments in Pico Candy Pte. Ltd. (₱3.60 million), MatchMe Pte. Ltd. (₱52.50 million), Altitude Games Pte. Ltd. (₱28.86 million), Einsights Pte. Ltd. (₱23.48 million), Social Light Inc. (₱6.00 million), Club Punta Fuego (₱0.38 million), and Quick.Ly Inc. (₱44.24 million).

Other Current Assets

The Group's consolidated other current assets totaled ₱57.94 million, an increase of ₱5.31 million or 10% from its previous level on December 31, 2016 at ₱52.63 million. Prepaid expenses and creditable withholding taxes comprised majority of other current assets.

Investment in Associates

As of December 31, 2017, the Group's consolidated investment in associates amounted to ₱515.66 million, a 6% decrease from its figure of ₱549.86 million during December 31, 2016. The breakdown of the carrying amounts of these investments are: Altitude Games Pte. Ltd. (₱26.33 million), Altitude Games Inc. (₱0.09 million), MatchMe (₱51.67 million), SDI (₱10.51 million), and Micro Benefits Limited (₱427.07 million).

Property and Equipment

The Group's consolidated property and equipment was ₱76.15 million in December 31, 2017 vis-à-vis ₱80.53 million in December 31, 2016, or a decrease of 5%. This was the net result of adding ₱27.50 million worth of said assets and the depreciation expense amounting to ₱31.59 million for the twelve-month period ended December 31, 2017. Property and equipment mainly consisted of leasehold improvements, leased assets, office, information technology equipment, furniture, and fixtures.

Intangible Assets

Intangible assets of ₱3,773.88 million as at December 31, 2017 were recognized in relation to the Group's acquisitions and investments. Movements in this account pertains to additions and amortization amounting to ₱10.57 million and ₱35.38 million, respectively, resulting to a net decrease amounting to ₱24.81 million or 1% of the December 31, 2016 figure at ₱3,798.69 million. The major components are goodwill, customer relationship, developed software, and leasehold rights.

- Goodwill pertains to excess of the acquisition cost over the fair value of the identifiable assets and liabilities of companies acquired by the Group. As at December 31, 2017, goodwill is at ₱2,544.62 million.
- Customer relationship pertains to Yondu's noncontractual and contractual agreements with Globe Telecoms, its major customer which are expected to generate revenues for the Group in subsequent periods. As of December 31, 2017, customer relationship is valued at ₱1,077.81 million.
- Developed software pertains to telecommunications equipment software licenses, corporate application software and licenses and other VAS software applications that are not integral to the hardware or equipment. As at December 31, 2017, developed software net book value is at ₱140.18 million. Amortization of developed software for the twelve-month period ended December 31, 2017 amounted to ₱32.90 million.
- Leasehold rights pertain to cost savings arising from lower than market rate rental in the lease contracts acquired through business combination. As of December 31, 2017, leasehold rights net book value is at ₱11.27 million. Amortization of leasehold rights for the twelve-month period ended December 31, 2017 amounted to ₱2.48 million.

Pension Asset

The Group's recorded pension asset as of December 31, 2017 and December 31, 2016 was at ₱0.31 million and ₱2.39 million, respectively, a decrease of ₱2.08 million or 87%.

Deferred Tax Assets – Net

The Group's consolidated net deferred tax assets level amounted to ₱115.53 million as at December 31, 2017, higher by 86% or ₱53.25 million vis-à-vis its December 31, 2016 level at ₱62.28 million.

Other Noncurrent Assets

Other noncurrent assets amounted to ₱50.74 million as of December 31, 2017. This figure is 9% lower than the value posted as of December 31, 2016 at ₱55.76 million. These are primarily rental and other deposits amounting to ₱24.85 million and ₱25.89 million, respectively.

Liabilities

Accounts and Other Payables

The Group's consolidated accounts and other payables valued at ₱493.11 million as at December 31, 2017 was a 19% or ₱79.38 million increase from its December 31, 2016 figure of ₱413.73 million.

The Group's accounts and other payables consisted mainly of trade payables at ₱218.58 million **(**₱104.55 million from Art of Click and ₱81.43 million from Yondu), payable to related parties at ₱102.53 million (₱97.15 million from Xurpas, as advances from stockholders), deferred output VAT at ₱62.55 million (₱56.90 million from Yondu), accrued expenses at ₱60.60 million (₱56.99 million from Yondu), taxes payable at ₱29.00 million, and other payables at ₱19.84 million

Loans Payable

The Group recorded ₱377.42 million in current loans in December 31, 2017 and ₱3.00 million in December 31, 2016. This is mainly attributable to the loans of the Parent Company which are interest-bearing and short-term.

Income Tax Payable

The Group's consolidated income tax payable as at December 31, 2017 amounted to ₱10.08 million, a decrease of 84% from the December 31, 2016 figure of ₱64.44 million.

Liability for Written Put Option

Based on PAS **32, *Financial Instruments: Presentation***, "...a contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability for the present value of the redemption amount." As such, a liability for the written put option is recognized which is equal to the present value of the amount payable upon exercise of the option is to be recognized. This amounts to ₱864.71 million, unchanged as of December 31, 2017 and December 31, 2016.

Payable to Former Shareholders of a Subsidiary

The Group recorded ₱244.43 million in Payable to former shareholders of a subsidiary as at December 31, 2017 and ₱314.13 million as at December 31, 2016, a decrease of ₱69.70 million or 22%.

Other Current Liabilities

The Group's other current liabilities amounted to ₱77.17 million in December 31, 2017 compared to ₱127.72 million in 2016, a decrease of 40%.

Loans Payable – non-current portion

The Group recorded nil in non-current loans in December 31, 2017 and ₱14.00 million in December 31, 2016.

Finance Lease- net of current portion

Seer entered into a lease agreement with BPI Leasing Corporation for the use of IT and transportation equipment with a lease term three (3) and five (5) years, respectively. Effective monthly interest rates range from 0.83% to 1.12%. Seer's finance lease net of current portion is ₱0.61 million in December 31, 2017 and ₱1.16 million December 31, 2016.

Payable to Former Shareholders of a Subsidiary – net of current portion

The Group recorded nil and ₱491.29 million in payable to former shareholders of a subsidiary (net of current portion) as of December 31, 2017 and December 31, 2016, respectively.

Deferred Tax Liability

As of December 31, 2017, the deferred tax liability (net) was at ₱355.86 million, a decrease of 2% or ₱7.99 million from ₱363.85 million as of December 31, 2016. This is primarily the deferred tax liability on fair value adjustment on intangible assets.

Pension Liability

The accrued pension of the Group is at ₱31.30 million in December 31, 2017 compared to ₱28.91 million in December 31, 2016 or an increase of 8%.

Equity

Total Equity

The Group's total equity as of December 31, 2017 was at ₱3,355.50 million, an 11% decrease from its December 31, 2016 level at ₱3,789.50 million. The net decrease in total equity was a result of increase in equity reserve from ₱892.22 million as of December 31, 2016 to ₱1,250.72 million as of December 31, 2017. Retained earnings decreased by ₱57.08 million or 15% from ₱379.81 million as at December 31, 2016 to ₱322.73 million in December 31, 2017.

Liquidity and Capital Resources

The Group's liquidity is primarily driven by cash flows from operating activities and cash reserves. The Group knows of no demands, commitments, events, or uncertainties that are reasonably likely to result in a material increase or decrease in liquidity. The Group is current on all of its accounts. The Group has some bank debt through the Parent Company and Seer Technologies Inc. which are short term in nature. The Group does not anticipate having any cash flow or liquidity problems over the next 12 months. The Group is not in breach or default on any loan or other form of indebtedness.

Cash Flows

In PhP	For the 12 months ended December 31	
	2017	2016
	Amount	Amount
Net cash provided by Operating Activities	248,521,283	17,890,169
Net cash used in Investing Activities	(169,890,399)	(887,031,702)
Net cash provided by (used in) Financing Activities	(274,972,523)	1,009,409,733
Effect of foreign currency exchange changes in cash	(16,921,504)	(17,635,549)
Net increase (decrease) in cash	(213,263,143)	122,632,651
Cash at beginning of period	428,517,653	305,885,002
Cash at end of period	**215,254,510**	**428,517,653**

Cash Flows Provided by Operating Activities

For the first twelve months of 2017, operating income of ₱137.42 million was coupled with the corresponding decrease in account receivables and account payables for a resulting ₱387.72 million net cash generated from operations. Together with interest received and income taxes paid, this resulted in a net cash provided by operating activities of ₱248.52 million.

Cash Flows Used in Investing Activities

The Group's consolidated cash flows used in investing activities for subsidiaries and associates for the twelve months of 2017 was ₱169.89 million compared to ₱887.03 million used in the same period of 2016. The net cash used in investing activities was mainly attributable to the earn-out payment to Art of Click.

Cash Flows Provided by (Used in) Financing Activities

The Group's consolidated net cash flow used in financing activities for the period ended December 31, 2017 was ₱274.97 million; compared to ₱1,009.41 million provided as of December 31, 2016. The cash flow used in financing activities were mainly from payment of payable to a former shareholder of a subsidiary.

Capital Expenditure

The Group's capital expenditures for the period ended December 31, 2017 and the year ended December 31, 2016 amounted to ₱27.50 million and ₱50.93 million, respectively. Note that in 2016, additions through business combination were ₱0.63 million.

Key Financial Data In PhP Millions	December 31, 2017 Additions	December 31, 2016 Additions	
	(Regular)	(Business Combination)	(Regular)
Office Equipment	3.08	0.06	2.34
IT Equipment	18.03	0.51	15.06
Furniture and Fixtures	0.95	0.07	7.12
Leasehold Improvements	4.33	-	23.98
Leased Asset	1.11	-	1.81
Transportation Equipment	-	-	-
Total	**27.50**	**0.63**	**50.30**

Commitments and Contingent Liabilities

The Group recorded payable to former shareholders of a subsidiary at ₱244.43 million (current portion) as at December 31, 2017 and ₱314.13 million (current portion) and ₱491.29 million (non- current portion) for December 31, 2016. On acquisition of investment, the excess of the cost of investment over the investor's share in the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying amount of the investment and not amortized.

Key Performance Indicators

The key performance indicators disclosed below present the financial performance of the Group as a whole. These are different with those in supplemental schedule of the consolidated financial statements which were prepared only for the analysis of financial performance attributable to the Parent Company.

The following are the key performance indicators of the Group and its majority-owned subsidiaries:

	For the years ended December 31		
In Percentage	**2017**	2016	2015
Liquidity Ratios			
Current Ratio	54%	105%	84%
Quick Ratio	51%	102%	81%
Asset-to-Equity Ratio	231%	219%	428%
Profitability Ratios			
Net Income Margin	2%	11%	25%
Gross Margin	31%	41%	57%
Operating Margin	12%	24%	39%
Return on Total Assets	1%	7%	9%
Return on Equity	1%	14%	19%
Debt Ratios			
Debt-to-Equity Ratio	0.97x	0.91x	2.31x
Interest Coverage Ratio	2.81x	11.84x	60.00x

Current Ratios

Current Ratio and Quick Ratios in the twelve-month period at December 31, 2017 were 54% and 51%, respectively, a decrease from their respective 105% and 102% figures during the full year of 2016. The decrease in both ratios was primarily from the significant increase in current liabilities and decrease of current assets of the Group for that period.

Asset-to-Equity Ratio

The increase in the asset-to-equity ratio from 219% in December 31, 2016 to 231% in December 31, 2017 resulted from the decrease in equity, particularly equity reserve, and decrease in total assets, particularly from financial assets as FVPL.

Profitability Ratios

Profitability margins decreased from December 31, 2016, as a result of business combination and expenses related to the Group's investments and acquisitions. The decrease in Gross Profit Margin (31%), Net Income Margin (2%), Operating Margin (12%), Return on Total Assets (1%) and Return on Equity (1%) was a result of the increase in overall expenses as a direct result of the Parent Company's expansion and acquisitions: the absorption of operational expenses of the acquired subsidiaries, expansion of operations offshore, salaries and wages paid to the Group's new employees for its organizational build-up program; and payment of professional and legal fees incurred from investments and acquisitions.

Debt Ratios

Debt to Equity in December 31, 2017 was at 0.97x compared to 0.91x as at December 31, 2016. The increase in the gearing ratio was attributed to the lower total equity value in December 31, 2017 compare to the previous year. Interest coverage ratio in December 31, 2017 was at 2.81x compared to 11.84x the previous year. The decrease in this ratio is because of the lower recorded earnings before interest and tax expense and higher interest expense in 2017 compared to 2016.
The manner by which the Company calculates the foregoing indicators is as follows:

Current Ratios	
Current ratio	Current assets / Current liabilities
Quick ratio	Current assets – Other current assets / Current liabilities
Asset-to-equity Ratio	Total assets / Total equity attributable to Parent Company
Profitability Ratios	
Net income ratio	Net income attributable to Parent Company / Service income + Sale of goods
Gross margin	(Service income + Sale of goods) – (Cost of services + Cost of goods sold) / Service income + Sale of goods
Operating margin	Earnings before interest, tax, depreciation and amortization / Service income + Sale of goods
Return on total assets	Net income attributable to Parent Company / Average total assets
Return on total equity	Net income attributable to Parent Company / Average total equity attributable to the Parent Company
Debt Ratios	
Debt-to-equity ratio	Total Liabilities / Total equity attributable to Parent Company
Interest coverage ratio	Earnings before interest and tax / Interest expense

Other Disclosures:

i. Liquidity. To cover its short-term funding requirements, the Group intends to use internally generated funds and available short-term credit facilities. Credit lines are obtained from BOD-designated banks at amounts based on financial forecast approved by the BOD. The Group can also obtain additional advances from its stockholders, refinance its short-term loans, renew its credit lines and negotiate for longer payment terms for its payables.

ii. Events that will trigger Direct or Contingent Financial Obligation. There are no events that will trigger direct or contingent financial obligations that are material to the Group, including and default or acceleration of an obligation.

iii. Material Off-balance sheet Transactions, Arrangements, Obligations. Likewise, there were no materials off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the group with unconsolidated entities or other persons created during the reporting period.

iv. Material Commitments for Capital Expenditure. There are no material commitments for capital expenditures.

v. Material Events/ Uncertainties. There are no known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Group's revenues from continuing operations.

vi. Results of Operations. There were no significant elements of income or loss that did not arise from continuing operations.

vii. Seasonality. The effects of seasonality or cyclicality on the operations of the Group's business are confined to its mobile consumer and other services segment.

4. **Description of the Nature and Scope of Business**

The Corporation was duly incorporated under Philippine laws on November 26, 2001, as a technology company which creates and develops digital products and services for mobile end-users, as well as proprietary platforms for mobile operators. The Corporation provides mobile marketing and advertising solutions integrated in consumer digital products and platforms for the consumption of mobile users. The Corporation is also engaged in platform development and customization, system integration, mobile platform consultancy services, management of off-the-shelf application and social media related services. This includes information technology (IT) staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

As of date, the Corporation has equity interests in the following entities:

	Percentage of Ownership
Storm Technologies, Inc. (formerly Storm Flex Systems, Inc.)	51.31%
Pt. Storm Benefits Indonesia	51.31%
Seer Technologies Inc.	70.00%
Codesignate Inc.	52.50%
Xurpas Enterprise Inc.	100.00%
Art of Click Pte. Ltd.	100.00%[1]
PT Sembilan Digital Investama	49.00%
MatchMe Pte. Ltd.	29.10%
Micro Benefits limited	23.53%
Altitude Games Pte. Ltd	21.78%
Altitude Games Inc.	21.17%
Xeleb Technologies Inc. (formerly Fluxion, Inc.)	67.00%[2]
Xeleb Inc.	67.00%[3]

Products and Services

The Corporation categorizes its product offerings in accordance with the following segments:

Enterprise Services

The Company develops, on its own or in close collaboration with other technology companies, mobile platform solutions for the benefit of clients such as Telcos, government agencies, and other top-tiered companies. These products, which are tailored to a client's particular requirements and are used by millions of mobile subscribers at any given time, comprise the Company's enterprise services segment and include mission-critical applications such as customized call/SMS/data bundles, peer-to-peer mobile airtime credit transfers and various forms of mobile commerce.

The Company, through its subsidiaries, develops and customizes information technology platforms, provides system integration, mobile platform consultancy, manages off-the-shelf application and social media-related services.

Enterprise Services also includes information technology staff augmentation and various enterprise solutions-based services to Telcos and other companies for network and applications development.

[1] On March 30, 2020, Xurpas suspended the business operations of Art of Click.
[2] As of date, the Corporation owns 100% of Xeleb Technologies Inc. The Corporation has also approved to dissolve Xeleb Technologies Inc. and Xeleb Inc.
[3] Ibid.

Mobile Consumer Services

Mobile Consumer Services includes airtime management, content development and management, and marketing and advertising solutions. The Company creates and develops mobile consumer content and other value-added services for mobile phone subscribers such as online casual games, info-on-demand services (e.g., news, social and other entertainment information), chat and messaging applications (e.g., mobile stickers), ringtones, licensed or unlicensed content such as music, videos, as well as mobile marketing and advertising solutions.

Other Services

The Company, through its subsidiary Storm, provides HR technology solutions to its clients. Storm developed a proprietary online platform which allows employees of any company that has signed with Storm to exchange his or her current employee benefits and transform them into products and services such as mobile phones, gadgets, or financial training services, called 'StormFlex.' Storm also offers the same service for employees who are rewarded with points for accomplishing set milestones or objectives by their employer. The Company's subsidiary designs, develops, and customizes the HR technology platforms and streamlines the logistical requirements for product and service fulfillment.

Blockchain Technology

In 2018, the Company announced the incorporation of its wholly owned subsidiary, ODX Pte. Ltd. ("ODX"), an entity registered in Singapore, that will allow consumers in emerging markets to access the internet for free, through sponsored data packages. ODX pre-sold tokens and the proceeds from the said sale, amounting to $4,999,960 will be used to start building the ODX infrastructure and for business development. The Company announced that some of its subsidiaries/affiliates also launched blockchain technology projects. In 2019, ODX started the distribution of tokens to all its investors, pre-sale purchasers, and advisors (collectively the "Token Holders").

Competition

For its mobile consumer content development business, the Company competes with over 100 mobile consumer content providers, which include Information Gateway, Inc., G-Gateway, Zed, Wolfpac and Rising Tide as competitors.

For its mobile marketing and advertising solutions business, the Company considers the following as competitors: TradeMob, Fiksu, Mobvista, Glispa, and Avazu.

For its enterprise development business including Seer Technologies Inc., the Company considers Stratpoint, Pointwest, and Novare, as its main competitors, providing outsourced web and mobile applications development services or cloud services for their clients.

For the Company's other services, which refers to the flexible benefits and performance benefits business of Storm, the main competitor is Takatack Rewards, Towers Watson, Mercer, Venteny, Kudos Canada, Globoforce, and My Checkpoints.

Reliance on Third Parties

As a mobile telecommunications value-added services provider, the Corporation relies on the transmission, switching and local distribution facilities of Globe Telecom, Inc. and Smart Communications, Inc. ("Telcos") to which it provides mobile digital content and services. The Telcos own, operate and maintain these transmissions, switching and local distribution facilities and the Corporation itself does not have any right to participate or intervene in the operation or maintenance thereof. In 2018, the Corporation's business was severely affected when one the Telcos implemented new and stricter opt-in guidelines for customers who sign up for VAS subscription. The Corporation's revenue from its mobile consumer services significantly declined as a result of this. The Corporation has disclosed that it is strengthening and enhancing its enterprise services and HR technology services in light of the ongoing challenges in its mobile consumer segment.

Intellectual Property

As the Corporation creates, develops and maintains substantially all of its mobile consumer content, the Corporation owns and holds exclusive rights to its entire product portfolio, excluding mobile consumer content in the form of licensed content such as music, videos and other content of a similar nature, which it licenses through third party licensors.

Platforms

- Key intellectual property of the Corporation includes the Griffin SMS Gateway program, which is a proprietary platform developed by the Corporation through which the Corporation deploys mobile applications through any telecommunications network protocol. The Griffin SMS Gateway program is built on a modular architecture and is written in Java, an industry standard programming language that allows the program to be deployed using most common operating systems, with the following key features:

    - The Griffin SMS Gateway allows the Corporation to connect to any of its client Telco's SMS center, which represents the heart of any Telco's wireless network handling all SMS operations, such as routing, forwarding and storing SMS messages, using popular protocols.

    - The Griffin SMS Gateway contains a "Multi-Function Middleware" feature that allows the Corporation to interface with its client Telco's "Intelligent Network", which is the network that allows a Telco to offer value-added services to its mobile subscribers on top of its standard services (voice and call services) through UCIP or Diameter, MMSCs via MM7, or billing systems via proprietary SOAP-XML or other proprietary HTTP-based protocols.

    - The Java API of the Griffin SMS Gateway allows the Corporation's application developers to write code that can easily be integrated or deployed across multiple carriers that may have different systems.

Trademarks

The Corporation likewise owns exclusive rights to its corporate name, as well as various brand names and marks that are used for its operations. Provided below is the summary of all marks registered in the name of the Corporation or any of its subsidiaries:

Holder	**Mark**	**Registration Number**	**Date Filed**	**Date Registered**
Xurpas Inc.	SELFIE.PH	42014009255	July 25, 2014	June 25, 2015
Xurpas Inc.	GRAB-A-GOLD	42014009260	July 25, 2014	December 11, 2014
Xurpas Inc.	FLUXION	42014009259	July 25, 2014	December 11, 2014
Xurpas Inc.	PLAYSMART	42014009254	July 25, 2014	December 11, 2014

Xurpas Inc.	#SELFIE	42014009257	July 25, 2014	December 11, 2014
Xurpas Inc.	SWAG	42014009261	July 25, 2014	February 12, 2015
Xurpas Inc.	Xurpas	42007004775	May 11, 2007	October 8, 2007
Xurpas Inc.	Xurpas	42017003342	March 8, 2018	October 5, 2017
Xurpas Inc.	Xurpas	42017003343	June 29, 2017	March 8, 2017
Xurpas Inc.	Art of Click	42017003340	August 31, 2017	March 8, 2017
Xurpas Inc.	Seer	42017003341	August 31, 2017	March 8, 2017
Xurpas Inc.	XE	42017003346	August 31, 2017	March 8, 2017
Xurpas Inc.	AppXentral	42017003344	June 29, 2017	March 8, 2017
Xurpas Inc.	Xurpas Enterprise	42017003345	June 29, 2017	March 8, 2017
Xurpas Inc.	Balikbayan Box It	42017017366	August 12, 2018	October 26, 2017
Xurpas Inc.	Xuper Tsikot	42017017362	October 26, 2017	March 29, 2018
Xurpas Inc.	Supernova Escape	42017017365	October 26, 2017	March 29, 2018
Xurpas Inc.	Beast Mode On	42017017363	October 26, 2017	March 29, 2018
Xurpas Inc.	Kumander Kuting	42017017364	October 26, 2017	March 29, 2018
Xurpas Inc.	ODX	42018008396	May 21, 2018	May 12, 2019
Xurpas Inc.	X	42018008395	May 21, 2018	May 12, 2019
Xurpas Inc.	Makefree	42018022480	December 19, 2018	December 8, 2019
Xeleb Technologies Inc.	Xeleb	42015005359	May 19, 2015	October 19, 2015
Xeleb Technologies Inc.	Trivia Time with Kuya Kim	42016004316	April 25, 2016	December 22, 2016
Xeleb Technologies Inc.	Xeleb Technologies	42017003700	March 14, 2017	August 31, 2017
Xeleb Technologies Inc.	Popster	42017003704	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemonster	42017003703	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jologs	42017003699	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Jejemon	42017003702	March 14, 2017	June 29, 2017
Xeleb Technologies Inc.	Super Belle	42017000346	January 11, 2017	May 4, 2017
Xeleb Technologies Inc.	Master Erwan's Foodcart	42017000082	January 4, 2017	May 4, 2017
Xeleb Technologies Inc.	Empire of Pink	42017000345	January 11, 2017	May 4, 2017

Xeleb Technologies Inc.	Trivia Time with Kuya Kim	42016004316	April 25, 2016	December 22, 2016
Xeleb Technologies Inc.	Xeleb Live	42018003222	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003220	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003224	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Xeleb Live	42018003225	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	No Verbal Elements	42018003219	February 21, 2018	September 6, 2018
Xeleb Technologies Inc.	Adventures of Kuya Kim	42017018334	November 10, 2017	May 24, 2018
Xeleb Technologies Inc.	Anne Kulit ni Mogwai	4201717358	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Train Ubusan	42017017360	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Erwan Youchop	42017017359	October 26, 2017	March 29, 2018
Xeleb Technologies Inc.	Anne-Galing	42015005360	May 19, 2015	November 19, 2015

Key Licenses

The Corporation's primary business, that is, the development and delivery of mobile consumer content to its client Telcos, is considered as a form of value-added services regulated by the NTC under the Public Telecommunications Policy Act and related implementing regulations issued by the NTC. The Corporation holds a VAS License issued by the NTC valid until January 3, 2021, pursuant to which the Corporation is authorized to engage in all of the foregoing value-added services.

Employees

The Corporation believes that its relationship with its employees is generally good and, since the start of its operations, the Corporation has not experienced a work stoppage as a result of any labor or labor-related disagreements. None of the Corporation's employees belong to a union. The Corporation has implemented cost-cutting measures to manage its day to day operations taking into account the challenges encountered by its mobile consumer services segment.

The table below sets forth the breakdown of the Corporation's labor complement, grouped according to function, as of June 30, 2020:

Executives	3
Accounting, Finance, Human Resources and Administrative	11
Marketing	6
Technical Staff	28
Total	48

As of date, the Corporation does not see any material change from the above-identified labor complement for the next twelve (12) months.

Key Risks

The Corporation considers the following risks material to its operations:

- **Reliance on third party transmission and distribution infrastructure.** In 2018, the Corporation's business was severely affected when Globe Telecom, Inc. implemented new and stricter opt-in guidelines for customers who sign up for VAS subscription. The Corporation has disclosed that it is strengthening and enhancing its enterprise services and HR technology services in light of the ongoing challenges in its mobile consumer segment.

- **Short Term Agreement with Telcos**. The Corporation's existing content provider agreements with its client Telcos are generally short-term in nature, with terms ranging from one to five years. In each case, there is no guarantee that such agreements will be renewed upon expiration thereof. Nevertheless, to mitigate reliance on its existing content provider agreements with such Telcos, the Corporation has acquired/invested in several foreign entities to expand its mobile operator client base to Telcos or other mobile operators outside the Philippines.

- **Ability to maximize and adapt to new technologies.** The Corporation has disclosed that its acquisition and investment in various technology entities is aimed at creating platforms that offers a marketplace of technology products that consumers can choose from. The Corporation has equipped itself with various technologies to create the necessary platforms it can offer to the consumers. The Corporation's success will depend on its ability to maximize the potentials of these acquired technologies. Moreover, since the technology industry continues to develop at a robust pace, the Corporation will need to consider as part of its growth strategy that these technologies will need to be consistently updated, enhanced or developed to minimize risk on these becoming obsolete or impractical.

- **Purchase of 100% of Wavemaker Group Inc.** The Corporation has disclosed that it will purchase 100% of Wavemaker Group Inc., the holding company for five (5) management fund management entities with four (4) active funds. Upon closing, the Corporation will heavily rely on the current portfolio of the active funds and the expertise of the General Partners on making investments that will be able to generate long-term capital appreciation.

  The fund management entities are entitled to a Carried Interest. *Carried interest* refers to the share of the profits that the management entities are entitled to as compensation and which is based on the performance of its investments. The management entities, namely, Siemer Ventures, LLC, Wavemaker Partners LLC, WMP GP V, LLC, and Wavemaker Global Select, LLC respectively, are entitled to 20% of the carried interest stemming from investment exit proceeds, subject to full repayment of all of the capital contributions by the limited partners of each such fund. In the event that such exit proceeds are not sufficient to return the entire capital contribution by the limited partners, each respective general partner is required to return any distributed proceeds sufficient to repay the capital contributions in full (or all carried interest proceeds received, if applicable). Accordingly, each of the management entities has operated such that they will not receive any carried interest until all capital contributions by limited partners have been repaid in full**.**

Properties

The Corporation does not hold any real property of material value. The Group has entered into various lease agreements with third parties for the office space it occupies.

The Corporation's (*parent company*) office is presently located at 7th Floor, Cambridge Centre Building, 108 Tordesillas St., Salcedo Village, Makati City, Philippines, which is leased by the Corporation from Gervel, Inc. The lease contract is for a period of three (3) years commencing on April 1, 2017 and expiring on March 21, 2020. The applicable rate per month is Php0.27 million, with a corresponding annual increase of 4%.

See Note 19 of the Unaudited Consolidated Financial Statements as of June 30, 2020 for the Operating Lease Commitments of the Group.

Legal Proceedings

There are no material pending legal proceedings (including any bankruptcy, receivership or similar proceedings) to which the Corporation or any of its subsidiaries is a party or to which any of their material assets are subject.

5. Directors' and Officers' Background

Board of Directors, Independent Directors and Executive Officers

The following directors and officers were elected during the 2019 Annual Stockholders' Meeting and 2019 Organizational Meeting both held on November 8, 2019:

Directors / Officers	Nationality	Position	Year Position was Assumed
Nico Jose S. Nolledo	Filipino	Chairman	2001
Alexander D. Corpuz	Filipino	Executive Director, President, Chief Information Officer and Chief Finance Officer	2019
Fernando Jude F. Garcia	Filipino	Executive Director, Treasurer and Chief Technology Officer	2001
Mercedita S. Nolledo	Filipino	Non-Executive Director	2001
Wilfredo O. Racaza	Filipino	Non-Executive Director	2001
Jonathan Gerard A. Gurango	Filipino	Independent Director	2014
Mark S. Gorriceta	Filipino	Corporate Secretary, Chief Legal Officer and Chief Compliance Officer	2014

The following independent directors were elected on May 7, 2020 during the Special Stockholders' Meeting:

Directors	Nationality	Position	Year Position was Assumed
Imelda C. Tiongson	Filipino	Independent Director	2020
Bartolome S. Silayan, Jr.	Filipino	Independent Director	2020

Background Information

Background Information

Nico Jose S. Nolledo, Filipino, 44, has been the Chairman and Director of the Corporation since 2001. He is the first Filipino Entrepreneur chosen by the Endeavour network. He is also the Ernst and Young's 2015 Philippine Entrepreneur of the year and was chosen as one of The Outstanding Young Men ("TOYM") in the Philippines in 2015. Mr. Nolledo holds a Bachelor of Science degree in Management from Ateneo de Manila University.

Alexander D. Corpuz, Filipino, 53, was appointed as Director and President of the Corporation effective February 1, 2019. He has also been the Corporation's Chief Finance Officer since 2014 and Chief Information Officer since 2018. Mr. Corpuz has 30 years of experience in the field of finance, ten years of which was in investment and commercial banking. He was Vice President of Bank of America in 2001, before serving as CFO for Liberty Telecoms, Information Gateway, Mañosa Group of Companies and Hatchd Inc. Mr. Corpuz holds a Bachelor of Science in Business Administration degree from University of the Philippines, Diliman, Cum Laude. He obtained his Masters in Business Management from the Asian Institute of Management, Makati City. He is a member of the Financial Executives Institute of the Philippines (FINEX).

Fernando Jude F. Garcia, Filipino, 47, has been the Chief Technology Officer and Director of the Corporation since 2001. He was also appointed as Treasurer effective February 1, 2019. He also served as Corporate Secretary of the Corporation until December 2014. He created the Corporation's Griffin Platform, the mobile consumer content gateway and platform for all of the Corporation's mobile consumer content products and services. He also created the Corporation's modular middleware system that can easily integrate with any modern billing gateway. He is the chief engineer responsible for the Corporation's software architecture and systems integration. Examples of such systems and protocols are the following: SMS (CIMD2/EMI-UCP/SMPP), MMS (EIAF/MM7), Voice Services (SIP), Billing/IN (Diameter/UCIP/ParlayX2.1), Security (IPSEC), Publish-subscribe Systems and Video Streaming (RTMP/HLS) and blockchain technology (BTC/ETH). He is also responsible for architecting the Corporation's fully Cloud-based system infrastructure. Before founding the Corporation, he was a software developer in iAyala. Mr. Garcia holds a Bachelor of Science degree in Applied Physics from the University of the Philippines in Diliman, Quezon City.

Wilfredo O. Racaza, Filipino, 72, has been a Director of the Corporation since 2001.Mr. Racaza has 49 years of marketing and finance experience under his belt. He was the head of New Business Development in Mobil Oil Philippines for 15 years. He previously worked as an insurance executive in Manulife Financial Philippines for 33 years. He is a Registered Financial Consultant (Graduated Cum Laude in May 2015). He has garnered numerous accolades and multiple awards such as Branch of the Year recognitions and consistent agency sales awards. He has been a consistent awardee in the General Agents and Managers Association (GAMA) of the Philippines from 2003 to Present. Mr. Racaza holds a Bachelor of Science in Commerce Degree Major in Accountancy from Xavier University-Ateneo de Cagayan in Cagayan de Oro City.

Mercedita S. Nolledo, 79, Filipino, has been a Director of the Corporation since 2001. Atty. Nolledo is currently a director of Bank of the Philippine Islands, BPI Family Savings Bank, Anvaya Golf and Nature Club, Inc., and Michigan Holdings, Inc. She is the Chairman of BPI Investment Management Corporation. She is currently an independent director of D&L Industries, Inc. She is a member of the Board of Trustees of Ayala Foundation, Inc. and BPI Foundation, Inc. She has served as a director of Cebu Holdings, Inc. from 1993 to 2006 and of Ayala Corporation from 2004 to 2010. Atty. Nolledo was formerly Corporate Secretary and General Counsel of the Ayala Group of Companies and the Senior Managing Director of the Ayala Corporation. She served as Executive Vice President, director and Corporate Secretary of Ayala Land, Inc. and as the firm's Treasurer. Atty. Nolledo placed second in the Certified Public Accountant exams in 1960 and also placed second in the 1965 bar exams. She holds a Bachelor of Science degree in Business Administration, magna cum laude, from the University of Philippines. Atty. Nolledo holds a Bachelor of Laws degree, cum laude, from the University of the Philippines.

Jonathan Gerard A. Gurango, 62, Filipino, has been an independent director of the Corporation since 2014. Mr. Gurango has a solid track record in forming and running successful software companies. He founded Match Data Systems (MDS) in Seattle, USA in 1987, MDS Philippines in 1991, and MDS Australia in 1996. In 1999, he sold MDS to Great Plains Software, which was acquired by Microsoft in 2001. Mr. Gurango served as the Asia Pacific Regional Director for Microsoft Business Solutions, before he left in 2003 to form Gurango Software. In 2007, he was inducted into the Hall of Fame for Microsoft's Most Valuable Professionals, in recognition of his mastery of software technology and business. In 2006, the Philippine Center for Entrepreneurship acknowledged him as one of the country's Ten Most Inspiring Technopreneurs. In addition to leading Gurango Software as the most successful Microsoft Dynamics partner in the Philippines, he has co-founded several other software start-ups such as SPRING.ph, and was the President of the Philippine Software Industry Association from 2013 to 2014. He is presently a director of Gurango Software Corporation, Kation Technologies, Inc., CodersGuild.net, Inc., Servio Technologies Inc. and APPPS Partners,Inc. Mr. Gurango studied Industrial Engineering at the University of the Philippines, Diliman, Quezon City. He also studied Electrical Engineering at the University of Washington, Seattle, Washington, USA.

Imelda C. Tiongson, 52, Filipino, has been an Independent Director of the Corporation since May 7, 2020. She is currently the President of Opal Portfolio Investments (SPV-AMC) Inc. She is also a new independent director of Pru Life U.K. In addition, she is a also involved in several organizations; Trustee of the Institute of Corporate Directors (ICD) and Head of Technology Governance Committee, Vice Chairwoman of the Governance Committee of the Management Association of the Philippines, Trustee of Fintech Alliance.ph and Head of Techno Ethics and Trustee of Fintech Philippines Association. She is also a lecturer of various organizations namely; ICD, Ateneo Graduate School of Business - Center for Continuing Education and International Finance Corporation (*an entity affiliated with the World Bank Group*).

She previously worked as a Senior Lending Officer in National Australia Bank and as Senior Vice President of Philippine National Bank with an aggregate total of 22 years. She was also a Director of Vitarich Corporation and a Board Advisor of East Asia Power Corporation as Creditor-nominee.

Ms. Tiongson also participated in the Technical working groups which drafted the Revised Corporation Code which was enacted in 2019 and the Financial Rehabilitation and Insolvency Act of 2010.

Ms. Tiongson obtained her Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology. She also completed a Master Class on Remedial in Asian Institute of Management (AIM), Master Class in Blockchain/Cryptocurrency facilitated by Terrapinn and Master Class in Risk/Audit conducted by Worldbank ICD.

Bartolome Silayan Jr., 53, Filipino has been an independent director of the Corporation since May 7, 2020. He is currently the President of Phoenix One Knowledge Solutions Inc. ("Phoenix One"), a technology corporate training and solutions company which he started in 2005. He is also the President of Cafisglobal Inc, a boutique software services company serving clients in Australia. Prior to Phoenix One, he also founded Mind Stream Inc. in 2001, the franchise holder of NIIT, the largest technology education company from India. Before he became an entrepreneur, he was the Philippine Country Head of The Pillsbury company in 1997. He worked in Hongkong and China in 1994 as Marketing Manager for the Quaker Oats company handling the Gatorade brand. He finished BS Business Management from

Ateneo de Manila University and obtained his MBA from Northwestern University's Kellogg school of management.

Mark S. Gorriceta, 42, Filipino, has been the Corporate Secretary and Chief Legal Officer of the Corporation since 2014. He was also appointed as Chief Compliance Officer of the Corporation in 2018. Atty. Gorriceta has been in the practice of law for sixteen years. He acts as legal counsel to several other listed companies, its subsidiaries or affiliates. Atty. Gorriceta also serves as Chief Legal Counsel and/or Corporate Secretary to several leading online and tech companies in the Philippines. He is the Managing Partner and head of the Corporate Group of Gorriceta Africa Cauton & Saavedra. A member of the Philippine Bar since 2005, he holds a Bachelor of Arts, Political Science degree from the Ateneo de Manila University. He also attended certificate courses in Finance at the Asian Institute of Management in Makati City. Atty. Gorriceta is a faculty member of the Ateneo de Manila University's Center for Continuing Education. He teaches Mergers & Acquisitions for the Advanced Module Diploma Course in Corporate Finance.

Significant Employees

The Corporation values the contribution of each employee no matter how big or small and considers all its employees significant. There is no "significant employee" as defined in the SRC.

Family Relationships

Mr. Nico Jose S. Nolledo, Chairman, is the son of Atty. Mercedita S. Nolledo, a director.

There are no family relationships between the current members of the Board and the key officers other than the above.

Involvement in Certain Legal Proceedings

There are no material legal proceedings, bankruptcy petition, conviction by final judgment, order, judgment or decree or any violation of a securities or commodities law for the past five years to which the Corporation or any of its subsidiaries or affiliates or its directors or executive officers is a party or of which any of its material properties is subject in any court or administrative government agency.

As of this report, the Corporation is not a party to any litigation or arbitration proceedings of material importance, which could be expected to have a material adverse effect on the Corporation or on the results of its operations. No litigation or claim of material importance is known to be pending or threated against the Corporation or any of its properties.

Certain Relationships and Related Transactions

In the conduct of its day-to-day business, the Corporation engages in related party transactions such as service and licensing agreements, always at arms-length and taking into consideration the best interest of the Corporation.

The Corporation has secured loans from its key shareholders. On February 20, 2019, the board of directors approved the execution of a loan agreement wherein the key shareholders of the Corporation agreed to extend an aggregate of Php150 million loan to be used to fund enterprise projects and for general corporate purposes.

On March 30, 2020, the Corporation also disclosed that it will sell 80% of CTX Technologies Inc. to Mr. Fernando Jude F. Garcia, one of Xurpas' Founders, at Php4 million. The sale price was mutually agreed upon by the parties, taking into account CTX's 2019 book value which is only at Php1.01 million.

See Note 20 of the Corporation's Interim Financial Statements as of June 30, 2020 for a detailed discussion of the related party transactions entered into by the Corporation.

Ownership Structure and Parent Corporation

As of 2019, the founders, Mr. Nico Jose S. Nolledo and Mr. Fernando Jude F. Garcia, own 36.69% of the Corporation. They actively manage the Corporation's business activities. Mr. Raymond Gerard S. Racaza, also a founder but has resigned from any management role, owns 20.07% of the Corporation.

On September 20, 2020, the Corporation has approved the issuance of the shares in favor of Frederick Manlunas, Benjamin Paul Bustamante Santos, James Buckly Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC., or shares equivalent to 47.68% of the Company.

Xurpas Inc. has no parent company.

Resignation of directors

Mr. Raymond Gerard S. Racaza has resigned as Director effective January 30, 2019. Mr. Alvin D. Lao has resigned as Independent Director effective May 22, 2019. Mr. Raymond Gerard S. Racaza and Mr. Alvin D. Lao do not have any known disagreement with the Corporation's affairs, and they resigned for personal reasons.

6. **Market Price and Dividends on the Corporation's common shares**

A. Market Information

On December 2, 2014, Xurpas Inc. had its initial public offering of 344.00 million common shares at the Philippine Stock Exchange ("PSE") at an offer price of ₱3.97 per share or ₱1.36 billion total proceeds. Net of costs, expenses, and taxes, the estimated net proceeds is ₱1.24 billion.

The following table shows the high and low prices (in PHP) of Xurpas' shares in the PSE for the year 2017, 2018, 2019 and first two quarters of 2020:

	High	**Low**
2020		
2nd Quarter	0.72	0.46
1st Quarter	0.95	0.40
2019		
4th Quarter	1.16	0.75
3rd Quarter	1.22	0.87
2nd Quarter	1.37	0.91
1st Quarter	2.33	1.09
2018		
1st Quarter	5.93	3.10
2nd Quarter	3.92	3.00
3rd Quarter	3.72	2.02
4th Quarter	2.39	1.04
2017		
4th Quarter	5.94	3.10
3rd Quarter	9.07	5.20
2nd Quarter	10.54	7.40
1st Quarter	10.50	7.09

The market capitalization of the Company's common shares as of end-2019, based on the closing price of ₱0.77/share, was approximately ₱1.44 billion versus ₱3.22 billion the previous year.[4]

The price information of Xurpas' common shares as of the close of the latest practicable trading date, September 18, 2020, is ₱0.55.

B. Holders

There are twenty six (26) registered holders of common shares, as of August 31, 2020 (based on number of accounts registered with the Stock Transfer Agent)[5].

	Stockholder's Name	Number of shares	Percentage to total	Nationality
1.	PCD Nominee Corp. (Filipino)[6]	1,416,053,479	73.20	Filipino
2.	PCD Nominee Corp. (Non-Filipino)	290,801,558	15.02	Others
3.	Raymond Gerard S. Racaza	174,100,010	9.00	Filipino
4.	Xurpas Inc.	53,298,242[7]	2.75	Filipino
5.	Nelson Gatmaitan	400,000	0.02	Filipino
6.	Emilie Grace S. Nolledo	251,889	0.01	Filipino
7.	Aquilina V. Redo	6,500	0	Filipino
8.	Rogina C. Guda	6,000	0	Filipino
9.	Dahlia C. Aspillera	2,900	0	Filipino
10.	Mercedita S. Nolledo	1,060	0	Filipino
11.	Wilfredo O. Racaza	1,060	0	Filipino
12.	Roberto B. Redo	1,000	0	Filipino
13.	Shareholders' Association of the Philippines, Inc.	1,000	0	Filipino
14.	Frederick D. Go	500	0	Filipino
15.	Dondi Ron R. Limgenco	111	0	Filipino
16.	Marietta V. Cabreza	100	0	Filipino
17.	Milagros P. Villanueva	100	0	Filipino
18.	Myra P. Villanueva	100	0	Filipino
19.	Myrna P. Villanueva	100	0	Filipino
20.	Philip &/or Elnora Turner	99	0	British-Indian
21.	Fernando Jude F. Garcia	10	0	Filipino
22.	Jonathan Gerard A. Gurango	10	0	Filipino
23.	Alvin D. Lao	10	0	Filipino
24.	Nico Jose S. Nolledo	10	0	Filipino
25.	Owen Nathaniel S. AUITF: Li Marcus Au	3	0	Filipino
26.	Joselito T. Bautista	1	0	Filipino
	Total	**1,934,925,852[8]**	**100%**	**Filipino**

[4] Xurpas has 1,870,940,210 outstanding common shares as of December 31, 2019.
[5] *Based on the list of stockholders issued by BDO Unibank Inc. Stock and Investment Group; list includes PCD Nominees*
[6] *PCD Nominee Corp. (Filipino) includes shares of a) Mr. Nico Jose S. Nolledo; b) Raymond Gerard S. Racaza; and c) Fernando Jude F. Garcia. We note that a portion of shares of Messrs. Nolledo, Racaza and Garcia are not yet listed with the Exchange, but are included in PCD Nominee Corp. (Filipino). Further, PCD Nominee Corp. (Filipino) includes treasury shares.*
[7] It also has shares in PCD Nominee (Filipino)
[8] *This includes Treasury Shares*

C. Dividends and Dividend Policy

Dividend History

Information on the Corporation's declaration of dividends follow:

Parent Company	Per Share	Total Amount	Record Date	Payable Date
Cash dividend declared on:				
May 8, 2017	0.05	92.85 million	May 23, 2017	June 15, 2017
May 10, 2016	0.048	86.27 million	May 31, 2016	June 23, 2016
April 29, 2015	0.40	68.80 million	May 14, 2015	June 2, 2015
September 20, 2014	0.56	36.00 million	June 30, 2014	September 30, 2014
June 5, 2014	0.47	30.25 million	December 31, 2013	June 30, 2014
November 18, 2013	5.13	16.67 million	September 30, 2013	November 29, 2013
July 22, 2013	1.03	3.33 million	June 30, 2013	July 31, 2013
May 6 2013	0.83	2.70 million	December 31, 2012	May 31, 2013
March 13, 2013	3.08	10.00 million	December 31, 2012	March 31, 2013
Stock dividend declared on:				
July 10, 2014	0.95 shares	61.25 million	September 20, 2014	September 20, 2014
May 5, 2014	18.85 shares	61.25 million	May 5, 2014	May 5, 2014

Dividend Policy

The Corporation has adopted a dividend policy pursuant to which stockholders may be entitled to receive, upon declaration by the Corporation's Board of Directors and subject to the availability of the unrestricted retained earnings, dividends equivalent to at least 30% of the prior year's net income after tax based on the Corporation's audited consolidated financial statements as of such year, except when: (i) justified by definite corporate expansion projects or programs approved by the Board; or (ii) when the Corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or (iii) when it can be clearly shown that retention of earnings is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserves for probable contingencies.

The Corporation cannot provide assurance that it will pay any dividends in the future. In making a decision to declare dividends, the Board may consider various factors including the Corporation's cash, gearing, return on equity and retained earnings, the results of its operations or the Corporation's financial condition at the end of the year and such other factors as the Board may deem appropriate. The Corporation's Board may, at any time, modify such dividend payout ratio depending upon the results of operations and future projects and plans of the Corporation.

Recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction

a) Overnight Top-up Placement – April 26, 2016

On April 26, 2016, the Board of Directors of Xurpas approved the holding of a Placing and Subscription Transaction ("the Overnight Top-up Placement") wherein Messrs. Nico Jose S. Nolledo, Raymond Gerard S. Racaza and Fernando Jude F. Garcia (the "Selling Shareholders") sold an aggregate of 155,400,000 common shares (the "Offer Shares") to investors (the "Placing tranche") at a price of Php16.00 per share and the Selling Shareholders subscribed to an aggregate of 77,700,000 common shares (the "Subscription Shares") or 4.32% of the new issued and outstanding capital shares of the Corporation ("Subscription tranche") also at Php16.00 per share. The Corporation raised approximately Php1.2 billion from the said issuance of shares.

The first part of the Overnight Top-up Placement consists of the offer and sale of the Offer Shares by the Selling Shareholders to (i) Qualified institutional investors in the Philippines qualified as an exempt transaction in reliance on Section 10.1(c) and 10.1(l) of the Philippine Securities Regulation Code (the "SRC"); (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"); and (iii) within the United States to "qualified institutional buyers" as defined in, and in reliance on, Rule 144A under the Securities Act. SB Capital Investment Corporation and Decker & Co., LLC are the Joint Global Coordinators and led the selling syndicate in placing the Offer Shares with investors.

The second part of the Overnight Top-up Placement consists of the subscription by each Selling Shareholder to 1.4% of the Corporation's total issued and outstanding capital shares, in the form of new shares issued out of the authorized capital stock of the Corporation at a subscription price equivalent to the Offer Price. Xurpas claimed exemption from registration under Section 10.1(e) and (k) of the Securities and Regulation Code.

The Placement Agents received an aggregate selling fee equal to 1.5% of the gross proceeds of the Offer.

b) Acquisition of Art of Click Pte. Ltd ("AOC") – October 6, 2016

On October 6, 2016, Xurpas signed a Share Purchase Agreement with Emmanuel Michel Jean Allix and Wavemaker Labs Pte. Ltd. (the "Sellers") for the acquisition of 100% shares in AOC for an aggregate consideration of ₱1.40 billion in cash and in Xurpas shares. AOC is a Singaporean start-up firm established in 2011 that specializes on mobile marketing solutions for advertisers, publishers, app developers and other operators. Its key markets include Japan, Korea, Hong Kong, Taiwan, Southeast Asia, North America and Europe.

The cash consideration consists of (1) an Upfront Payment to the Sellers amounting to US$2,797,106 (135,379,930) and (2) cancellation of employee stockholder options through Xurpas' subscription to one ordinary share in the capital of AOC for US$2,202,894 (106,620,070). This was used to pay the AOC's Employee Stock Ownership Plan ("ESOP") shareholders.

The Xurpas shares to be issued to the Sellers consist of (1) an Upfront Payment amounting to US$19,451,739 payable in Xurpas shares to the Sellers on the acquisition date, (2) Installment Payment payable to the Sellers in Xurpas shares one year after the closing date and every year thereafter until three years after the closing date, and (3) a Deferred Purchase Consideration which shall be subject to a net income after tax floor per year that AOC has to meet as a condition precedent to the entitlement of the Sellers to the Deferred Purchase Consideration and payable in three (3) tranches. The aggregate amount of Deferred Payment Consideration for a three-year deferred payment period shall in no case be greater than US$13,962,725. In the finalization of the purchase price, the parties have clarified that the Deferred Purchase Consideration shall be fixed at US$13,962,725 and shall not be subject to the performance metrics of AOC, and such is intentionally part of the original consideration. Accordingly, the Deferred Purchase Consideration was considered as part of the acquisition cost in the final purchase price.

The number of Xurpas shares to be issued at each tranche shall be determined using the average market value of Xurpas common shares fifteen (15) days before and fifteen (15) days after the closing date or each commitment date, as applicable, agreed to by the parties.

Included in the Share Purchase Agreement is a call option granting the Sellers an option exercisable within fifty-one (51) months following the Closing Date and only upon the occurrence of a Call Option event to purchase from Xurpas their respective proportionate share in the Sale Shares. This was subsequently waived.

On June 2017, amendments were made to the share purchase agreement with one of the sellers, Emmanuel Michel Jean Allix ("Allix"), which (a) resulted in the payment of US$7.24 million or 358.50 million, (b) changed the manner of payment of the Installment Payment payable and Deferred Purchase Consideration from being partly in cash and Xurpas shares to solely in cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year.

On July 18, 2017, Xurpas reacquired 53,298,242 common shares Upfront Payment issued at acquisition date to Allix, a former shareholder of AOC, for a consideration of US$532,983 or 26.65 million.

On October 3, 2017, Xurpas entered into an agreement to amend the share purchase agreement with Wavemaker Labs Pte. Ltd. ("Wavemaker"), a former shareholder of AOC, which provides for (a) the adjusted purchase price, (b) the change in manner of payment for the Installment Payment and Deferred Consideration pertaining to Wavemaker from being payable in Xurpas shares to cash, and (c) changed the term of the Installment Payment payable from being payable in three years after the closing date to being payable within the year. To implement these amendments, there will be a placement and subscription transaction involving 67,285,706 Xurpas listed shares of existing shareholders by way of a block sale through the facilities of the PSE in 2018. Three shareholders of Xurpas sold their shares to Wavemaker, as an advance on behalf of Xurpas. The said shareholders, then subscribed to an aggregate of 67,285,706 Xurpas shares to replace the shares already advanced. Xurpas is claiming exemption from registration under Section 10.1(k) of the Securities and Regulation Code.

The 16,641,244 common shares initially issued to Wavemaker representing the Upfront Payment shall be placed by Wavemaker in an escrow agent who is authorized to sell these shares after these are listed. The allocation of the proceeds from the sale of these shares will be determined in the future subject to certain conditions.

On October 3, 2017, Allix and Wavemaker executed a waiver of the second and third tranches of the Deferred Purchase Consideration. The Sellers also waived their call option on the shares.

The Company relied on Section 10.1(k) of the Securities Regulation Code, as basis for claiming exemption for the issuance of the said shares in favor of Emmanuel Michel Jean Allix and Wavemaker Labs Pte. Ltd

c) Issuance of New Common Shares to Wavemaker

On September 20, 2020, the Board approved the issuance of 1,707,001,019 common shares ("**Subscription Shares**") at a price of Php0.10 per share ("**Subscription Price**") to the following:

Subscribers	No. of Shares	Par Value	Subscription Price (PHP)
Frederick Manlunas	866,540,356	Php 0.10	86,654,035.6
Benjamin Paul Bustamante Santos	240,524,858	Php 0.10	24,052,485.8
James Buckly Jordan	264,329,044	Php 0.10	26,432,904.4
Wavemaker Partners V LP	30,547,808	Php 0.10	3,054,780.8
Wavemaker US Fund Management Holdings, LLC	305,058,953	Php 0.10	30,505,895.3
Total	**1,707,001,019**		**170,700,101.9**

On the same day, the Corporation and the Subscribers executed the Subscription Agreement for the issuance of the said shares at a subscription price of Php170,700,101.90 (par value of Xurpas Shares). The Subscription Shares will be taken from the Corporation's unissued authorized capital stock. The Corporation will secure stockholders' approval on the listing of the said shares with the Philippine Stock Exchange.

The subscription price will be paid by the Subscribers in cash and will be due on or before December 31, 2020. The issuance of the Subscription Shares will be subject to certain post-closing conditions, one of which is securing stockholders' approval on the listing of the Subscription Shares with the Philippine Stock Exchange.

The Company relied on Section 10.1(k) of the Securities Regulation Code, as basis for claiming exemption for the issuance of the said shares in favor of Frederick Manlunaas, Benjamin Paul Bustamante Santos, James Buckly Jordan, Wavemaker Partners V LP and Wavemaker US Fund Management Holdings, LLC.

Moreover, the Company will issue the shares out of its available authorized capital. As such, no stockholders' approval is necessary for the said issuance of shares.

7. **External Audit Fees**

The Company's external auditor is Sycip Gorres Velayo & Co. ("**SGV**") The aggregate fees billed for each of the last two calendar years for professional services rendered by the external auditor were ₱2,130,000 and ₱1,800,000 for 2019 and 2018, respectively. The audit fees for 2020 are estimated to be at ₱2,343,000. Services rendered include the audit of the financial statements and supplementary schedules for submission to SEC, tax consultancy and assistance in the preparation of annual income tax returns.

In relation to the audit and review of the Corporation's annual consolidated financial statement, the Audit Committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Corporation; (ii) ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors; and (iii) ensure the compliance of the Corporation with acceptable auditing and accounting standards and regulation.

The Audit Committee recommends to the Board the appointment of the external auditor and the fixing of the audit fees. The Board and stockholders evaluate and approve the Audit Committee's recommendation.

The representatives of SGV are expected to be present at the Annual Stockholders' Meeting and may also respond to appropriate questions with respect to matters involving its services.

8. **Compliance with leading practices on Corporate Governance**

Evaluation system to measure the level of compliance with the Manual on Corporate Governance

The Corporation will undertake assessment and performance evaluation exercises in relation to its policies for the purpose of monitoring compliance.

Measures to comply with the adopted leading practices on good corporate governance

The Corporation has appointed a Compliance Officer who shall monitor compliance with the requirements of its revised Manual on Corporate Governance. The Corporation has also established a Corporate Governance Committee that has the responsibility of ensuring the implementation of its governance principles and policy guidelines.

Plans to improve

The Board and Committees undertake to take further steps to enhance adherence to principles and practices of good corporate governance. The Corporation undertakes to periodically review its policies and guidelines, and ensure compliance with all SEC and PSE mandated corporate governance memorandums. In fact, as of date:

- The Corporation has finalized and will circulate the assessment and performance evaluation for its directors.
- Risk Oversight Committee Charter has also been finalized and will be subject to Xurpas' Board approval.
- The Corporation already has three (3) independent directors sitting in its Board.
- The Chair of majority of the committees are now headed by independent directors of Xurpas.
- Diversity in Xurpas' Board with the election of Ms. Imelda C. Tiongson as independent director. There are already two (2) females sitting on Xurpas Board.